

FIRST SUPPLEMENTAL INDENTURE OF TRUST

Dated as of February 1, 2004

By and Among

CALIFORNIA TRANSPORTATION COMMISSION

the

TREASURER OF THE STATE OF CALIFORNIA

and

CALIFORNIA DEPARTMENT OF TRANSPORTATION

Relating to the

\$ _____
STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS
SERIES 2004 A

FIRST SUPPLEMENTAL INDENTURE OF TRUST

This FIRST SUPPLEMENTAL INDENTURE OF TRUST, dated as of February 1, 2004 (this "First Supplemental Indenture"), is by and among between the CALIFORNIA TRANSPORTATION COMMISSION (the "Commission"), the CALIFORNIA DEPARTMENT OF TRANSPORTATION (the "Department") and the TREASURER OF THE STATE OF CALIFORNIA, and supplements that certain Master Indenture of Trust, dated as of February 1, 2004 (the "Master Indenture"), by and among the Treasurer and the Trustee.

WITNESSETH:

WHEREAS, Section 2.9 of the Master Indenture provides for the issuance of Bonds (as defined therein), and Section 10.2 thereof provides for the execution and delivery of Supplemental Indentures setting forth the terms of such Bonds; and

WHEREAS, the parties hereto, by execution and delivery of this First Supplemental Indenture and in compliance with the provisions of the Master Indenture, wish to set forth the terms of the \$_____ State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2004A (the "Series 2004A Bonds"), provide for the deposit and use of the proceeds from the sale of the Series 2004A Bonds, and make other provisions pertaining thereto;

NOW, THEREFORE, the parties hereto agree as follows, each for the benefit of the other and of owners of the Series 2004A Bonds issued pursuant to this First Supplemental Indenture:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. The terms defined in this Article I shall, for all purposes of this First Supplemental Indenture, have the respective meanings specified herein unless the context clearly requires otherwise. Capitalized terms which are used but not otherwise defined herein shall have the respective meanings ascribed to them in the Master Indenture.

"Authorized Denomination" shall mean \$5,000 or any integral multiple thereof.

"Bond Year" shall mean that certain period beginning and ending on the dates selected by the Treasurer in the Tax Certificate with respect to the Series 2004A Bonds.

"Book-Entry System" shall mean a system similar to the system described in Section 2.3 herein.

"Costs of Issuance Fund" shall mean the fund so created and designated in Section 4.2 herein.

"Depository" shall mean the securities depository acting as Depository under Section 2.3 herein.

“DTC” shall mean The Depository Trust Company, New York, New York, and its successors and assigns.

“First Supplemental Indenture” shall mean this First Supplemental Indenture of Trust, dated as of February 1, 2004, by and among the Commission, the Treasurer, the Department and the Trustee, as it may be amended and/or supplemented from time to time in accordance with the provisions of the Master Indenture.

“Interest Payment Date” shall mean each February 1 and August 1, commencing August 1, 2004.

“Master Indenture” shall mean that certain Master Indenture of Trust, dated as of February 1, 2004, by and between the Commission, the Treasurer, the Department and the Trustee.

“Nominee” shall mean the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.3.

“Owner,” or “Bond Owner,” with respect to a Series 2004A Bond, shall mean the person in whose name such Bond is registered in the Bond Register.

“Participants” shall mean those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Series 2004A Bonds as a securities depository.

“Rebate Account” shall mean the Series 2004A Bonds Rebate Account created in the Rebate Fund pursuant to Section 4.4. hereof.

“Record Date” shall mean the close of business on the fifteenth day of the month preceding an Interest Payment Date occurs (whether or not such day is a Business Day).

“Representation Letter” shall mean a letter of representations from the Treasurer and the Trustee to the Depository in substantially the form attached hereto as Exhibit B.

Except as otherwise indicated, references to Articles and Sections are to the Articles and Sections of this First Supplemental Indenture.

ARTICLE II

FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

Section 2.1. Issuance of Bonds; Form. At the request of the Commission, the Treasurer hereby authorizes the issuance of bonds hereunder in an aggregate principal amount of \$_____ for the principal purpose of providing funds to pay Construction Costs related to the Construction Projects identified in Exhibit C hereto. The bonds to be so issued are to be issued in one series designated the “State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2004A.” The Series 2004A Bonds shall be in substantially the form set forth in Exhibit A hereto.

Section 2.2. Terms of the Bonds. The Series 2004A Bonds shall be issued in the principal amounts, shall bear interest at the rates, shall mature and may be subject to redemption

prior to their respective maturities, all as hereinafter set forth.

The Series 2004A Bonds shall be issued in fully registered form, without coupons, in Authorized Denominations. Unless the Treasurer shall otherwise direct, the Series 2004A Bonds shall be numbered as determined by the Trustee.

The principal of and the interest on the Series 2004A Bonds shall be payable in any coin or currency of the United States of America that is legal tender for the payment of public and private debts on the respective dates of payment thereof. The principal of each Series 2004A Bond shall be payable at the Principal Office of the Paying Agent, by check, upon the presentation and surrender of such Series 2004A Bond as the same shall become due and payable. Payment of interest on each Series 2004A Bond shall be made to the person appearing in the Bond Register as the registered Owner thereof on the applicable Record Date, such interest to be paid by the Paying Agent to such registered Owner (i) by bank check mailed by first class mail on the Interest Payment Date to such Owner's address as it appears on the registration books of the Registrar or at such other address as has been furnished to the Registrar in writing by such Owner, or (ii) in immediately available funds (by wire transfer to an account within the United States or by deposit to such an account of the Owner of any such Series 2004A Bond if such account is maintained with the Paying Agent), but only to any Owner who owns Series 2004A Bonds in an aggregate principal amount of at least \$1,000,000 on the Record Date, according to the written instructions given by such Owner to the Registrar or, if no such instructions have been provided as of the Record Date, by check mailed by first class mail to the Owner at such Owner's address as it appears as of the Record Date in the Bond Register or at such other address as provided by such Owner to the Registrar.

Subject to the foregoing provisions of this Section, each Series 2004A Bond delivered upon transfer of or in exchange for or in lieu of any other Series 2004A Bond shall carry all the rights to interest accrued and unpaid, and to accrue, which were carried by such other Series 2004A Bond; and each such Series 2004A Bond shall bear interest from such date, so that neither gain nor loss in interest shall result from such transfer, exchange or substitution.

The Series 2004A Bonds shall be dated February 1, 2004, and shall mature on February 1 in each of the years and amounts, and shall bear interest at the rates, set forth below:

<i>Maturity Date (February 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
2005	\$	
2006		
2007		
2008		
2009		
2010		
2011		
2012		
2013		
2014		
2015		

Each Series 2004A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment

Date, or (b) it is authenticated on or before the first Record Date, in which event it shall bear interest from February 1, 2004, provided, that if, as of the date of authentication of any such Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.3. Book-Entry System. The Series 2004A Bonds shall be initially issued in the form of a separate single fully registered Series 2004A Bond for each maturity (which may be typewritten). Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Register in name of the Nominee, as nominee of the Depository. Except hereinafter as provided, all of the Outstanding Series 2004A Bonds shall be registered in the Bond Register in the name of the Nominee.

The Treasurer and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of whom such a Participant holds an interest in Series 2004A Bonds registered in the name of the Nominee. Without limiting the immediately preceding sentence, the Treasurer and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in the Series 2004A Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register, of any notice with respect to the Series 2004A Bonds, including any notice of redemption, (iii) the selection by the Depository and its participants of the beneficial interests in the Series 2004A Bonds to be redeemed in the event the Treasurer redeems Series 2004A Bonds in part, or (iv) the payment to any Participant or any other person, other than an Owner as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Series 2004A Bonds. The Treasurer and the Trustee may treat and consider the person in whose name each Series 2004A Bond is registered in the Bond Register as the absolute Owner of such Series 2004A Bond for the purpose of payment of principal, premium, if any, and interest with respect to such Series 2004A Bond, for the purpose of giving notices of redemption and other matters with respect to such Series 2004A Bond, for the purpose of registering transfers with respect to such Series 2004A Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Series 2004A Bonds only to or upon the order of the respective Owner, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Treasurer's obligations with respect to payment of principal of, premium, if any, and interest on the Series 2004A Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a Series 2004A Bond evidencing the obligation of the Treasurer to make payments of principal, premium, if any, and interest pursuant to this First Supplemental Indenture. Upon delivery by the Depository to the Owner, Trustee and Treasurer of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the term "Nominee" in this First Supplemental Indenture shall refer to such nominee of the Depository.

In order to qualify the Series 2004A Bonds for the Depository's book-entry system, the Treasurer shall execute and deliver the Representation Letter to the Depository concurrently with the issuance and delivery of the Series 2004A Bonds to their original purchasers. The execution and delivery of the Representation Letter shall not in any other way limit the provisions of this Section or in any other way impose upon the Treasurer any obligation whatsoever with respect to Persons having interests in the Series 2004A Bonds other than the Owners. In a separate agreement with the Depository, the Trustee shall have agreed to take all action necessary to ensure compliance with all representations of the Treasurer in the Representation Letter with respect to the Trustee at all times.

In addition to the execution and delivery of the Representation Letter, the Treasurer shall take such other actions, not inconsistent with this First Supplemental Indenture, as are reasonably necessary to qualify the Series 2004A Bonds for the Depository's book-entry program.

In the event (i) the Depository determines not to continue to act as securities depository for the Series 2004A Bonds or (ii) the Depository shall no longer so act and gives notice to the Trustee of such determination, then the Treasurer will discontinue the book-entry system with the Depository. If the Treasurer determines to replace the Depository with another qualified securities depository, the Treasurer shall prepare or direct the preparation of a new single, separate, fully registered Series 2004A Bond for each of the maturities of the Series 2004A Bonds, registered in the name of such successor or substitute qualified securities depository or its nominee. If the Treasurer fails to identify another qualified securities depository to replace the Depository then the Series 2004A Bonds shall no longer be restricted to being registered in the Bond Register in the name of the Nominee, but shall be registered in whatever name or names Owners transferring or exchanging Series 2004A Bonds shall designate, in accordance with the provisions of Section 2.6 of the Master Indenture.

Notwithstanding any other provision of this First Supplemental Indenture to the contrary, so long as any Series 2004A Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Series 2004A Bond and all notices with respect to such Series 2004A Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

The initial Depository under this Section shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

Section 2.4. Transfer of Bonds. The transfer of Series 2004A Bonds may be registered in accordance with the provisions of Section 2.6 of the Master Indenture, provided that the Trustee shall not be required to register the transfer of any Series 2004A Bond during the five Business Days preceding the selection of Series 2004A Bonds for redemption or of any Series 2004A Bond selected for redemption.

ARTICLE III

NO REDEMPTION OF BONDS

Section 3.1. Bonds Not Redeemable. The Series 2004A Bonds are not subject to redemption prior to their stated maturities.

Section 3.2. [Reserved]

ARTICLE IV

REVENUES AND FUNDS

Section 4.1. Disposition of Bond Proceeds and Certain Other Moneys. The proceeds received by the Trustee from the sale of the Series 2004A Bonds shall be credited to the following funds the amounts hereinafter specified: (i) to the Costs of Issuance Fund pursuant to Section 4.2. hereof, \$ _____, (ii) to the Interest Account within the Senior Lien Debt Service Fund,

\$ _____ and (iii) to the Construction Fund pursuant to Section 4.4 hereof,
\$ _____.

Section 4.2. Costs of Issuance Fund. A separate fund is hereby created and designated as the “Series 2004A Bonds Costs of Issuance Fund” (the “Costs of Issuance Fund”). The Costs of Issuance Fund shall be a subaccount of the Transportation Financing Subaccount and shall be under the control of the Trustee. The moneys in the Costs of Issuance Fund shall be used and withdrawn to pay the Costs of Issuance relating to the Series 2004A Bonds upon submission of written certificate executed by an Authorized Department Representative to the Treasurer and the Trustee stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is a proper charge against said fund and that payment for such charge has not previously been made. On or about the first Business Day that is at least six months after the date of issuance of the Series 2004A Bonds, upon the earlier written direction of an Authorized Department Representative, all amounts remaining in the Costs of Issuance Fund shall be deposited in the Debt Service Fund.

Section 4.3. Rebate Account.

(a) Establishment. An account in the Rebate Fund is hereby created and designated the “Series 2004A Bonds Rebate Account” (the “Rebate Account”), which account is to be under the control of the Trustee. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Series 2004A Bonds will not be adversely affected, the Department shall deposit, or cause to be deposited, in the Rebate Account such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Account shall be held in trust for payment of yield reduction and rebate payments to the United States Treasury. All amounts on deposit in the Rebate Account shall be governed by this Section and the Tax Certificate, unless and to the extent that the Department delivers to the Treasurer and the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding any other provision in this Section, the Department, in consultation with the State Treasurer’s Office, may at any time compute the Rebatable Arbitrage (as defined below) as if such date were the applicable computation date and make respective transfer both into and out of the Rebate Account based upon such calculation.

(b) Computation. Within 55 days of the end the fifth Bond Year and each fifth Bond Year thereafter and within 55 days after the payment of all the Series 2004A Bonds, the Department in consultation with the State Treasurer’s Office shall calculate or cause to be calculated the amount of yield reduction payments and rebatable arbitrage, in accordance with Section 148 of the Code and Sections 1.148-3 and 1.148-5(c) of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the yield reduction payments and rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g., the temporary investments exceptions of Section 148(f)(4)(B) and (C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The Department shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section. The Trustee shall have no responsibility to make any calculations of Rebatable Arbitrage or to independently review or verify such calculations.

(c) Transfer. Within 55 days after the end of the fifth Bond Year and each fifth Bond Year thereafter and within 55 days after the payment of all the Series 2004A Bonds, the Department shall transfer or caused to be transferred to the Rebate Account from any moneys legally available for such purpose (as specified by the Department in a written notice to the Treasurer), if and to the extent required, moneys, so that the balance in the Rebate Account shall be at least equal to the amount of Rebatable Arbitrage so calculated. In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Account exceeds the amount required to be on deposit therein, the Department shall withdraw, or cause the withdrawal of, the excess from the Rebate Account and deposit, or cause the deposit of, the excess in the Debt Service Fund.

(d) Payment to the Treasury. The Department shall pay, or cause to be paid, as determined by the Department in consultation with the State Treasurer's Office, to the United States Treasury, out of amounts in the Rebate Account, (X) not later than 60 days after the end of (A) the fifth Bond Year, and (B) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year and not later than 60 days after the payment of all the Series 2004A Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148 of the Code. Each payment required to be made pursuant to this Section shall be made to the Internal Revenue Service Center on or before the date on which such payment is due and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be prepared by the Trustee, or shall be made in such other manner as provided under the Code.

(e) Disposition of Unexpended Funds. Any funds remaining in the Rebate Account after redemption and payment of the Series 2004A Bonds, the payments described above, and payment of all Reimbursement Obligations, all obligations under Swap Agreements relating to the Series 2004A Bonds and all Administrative Expenses then due shall be paid to the Department and may be utilized by the Department in any lawful manner.

(f) Survival of Defeasance. Notwithstanding anything in this First Supplemental Indenture to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Series 2004A Bonds.

Section 4.4. Subaccounts of Construction Fund.

(a) Establishment of PPNO 0672 Account. A subaccount in the Construction Fund is hereby created and designated the "I-15 Managed Lanes (PPNO 0672) Account" (the "PPNO 0672 Account"), which account is to be under the control of the Department. The amount of \$_____ shall deposited to the PPNO 0672 Account from the moneys representing proceeds of the Series 2004A Bonds deposited to the Construction Fund pursuant to Section 4.1 hereof. Moneys in the PPNO 0672 Account shall be held and applied to the payment of Construction Costs related to the I-15 Managed Lanes Construction Project and as provided otherwise in the Master Indenture.

(b) Establishment of PPNO 0121D Account. A subaccount in the Construction Fund is hereby created and designated the "Riverside Route 60/91/215 Interchange (PPNO 0121D) Account" (the "PPNO 0121D Account"), which account is to be under the control of the Department. The amount of \$_____ shall be deposited to the PPNO 0121D Account from moneys representing proceeds of the Series 2004A Bonds pursuant to Section 4.1 hereof. Moneys in the

PPNO 0121D Account shall be held and applied to the payment of Construction Costs related to the Riverside Route 60/91/215 Construction Project and as provided otherwise in the Master Indenture.

(c) Establishment of PPNO 0409C Account. A subaccount in the Construction Fund is hereby created and designated the “I-880/Coleman Interchange (PPNO 0409C) Account” (the “PPNO 0409C Account”), which account is to be under the control of the Department. The amount of \$ _____ shall be deposited to the PPNO 0409C Account from the moneys representing proceeds of the Series 2004A Bonds deposited to the Construction Fund pursuant to Section 4.1 hereof. Moneys in the PPNO 0409C Account shall be held and applied to the payment of Construction Costs related to the I-880/Coleman Interchange Construction Project and as provided otherwise in the Master Indenture.

(d) Establishment of PPNO 0443N Account. A subaccount in the Construction Fund is hereby created and designated the “SR 87 North (PPNO 0443N) Account” (the “PPNO 0443N Account”), which account is to be under the control of the Department. The amount of \$ _____ shall be deposited to the PPNO 0443N Account from moneys representing proceeds of the Series 2004A Bonds pursuant to Section 4.1 hereof. Moneys in the PPNO 0443N Account shall be held and applied to the payment of Construction Costs related to the SR 87 North Construction Project and as provided otherwise in the Master Indenture.

(e) Establishment of PPNO 0443S Account. A subaccount in the Construction Fund is hereby created and designated the “SR 87 South (PPNO 0443S) Account” (the “PPNO 0443S Account”), which account is to be under the control of the Department. The amount of \$ _____ shall be deposited to the PPNO 0443S Account from moneys representing proceeds of the Series 2004A Bonds pursuant to Section 4.1 hereof. Moneys in the PPNO 0443S Account shall be held and applied to the payment of Construction Costs related to the SR 87 South Construction Project and as provided otherwise in the Master Indenture.

(f) Establishment of PPNO 0162P Account. A subaccount in the Construction Fund is hereby created and designated the “I-5 HOV Lanes (PPNO 0162P) Account” (the “PPNO 0162P Account”), which account is to be under the control of the Department. The amount of \$ _____ shall be deposited to the PPNO 0162P Account from moneys representing proceeds of the Series 2004A Bonds pursuant to Section 4.1 hereof. Moneys in the PPNO 0162P Account shall be held and applied to the payment of Construction Costs related to the I-5 HOV Lanes Construction Project and as provided otherwise in the Master Indenture.

(g) Establishment of PPNO 2333 Account. A subaccount in the Construction Fund is hereby created and designated the “I-405 Auxiliary Lane (PPNO 2333) Account” (the “PPNO 2333 Account”), which account is to be under the control of the Department. The amount of \$ _____ shall be deposited to the PPNO 2333 Account from moneys representing proceeds of the Series 2004A Bonds pursuant to Section 4.1 hereof. Moneys in the PPNO 2333 Account shall be held and applied to the payment of Construction Costs related to the I-405 Auxiliary Lane Construction Project and as provided otherwise in the Master Indenture.

(h) Establishment of PPNO 2336 Account. A subaccount in the Construction Fund is hereby created and designated the “405/101 Gap Closure (PPNO 2336) Account” (the “PPNO 2336 Account”), which account is to be under the control of the Department. The amount of \$ _____ shall be deposited to the PPNO 2336 Account from moneys representing proceeds of the Series 2004A Bonds pursuant to Section 4.1 hereof. Moneys in the PPNO 2336 Account shall be

held and applied to the payment of Construction Costs related to the 405/101 Gap Closure Construction Project and as provided otherwise in the Master Indenture.

ARTICLE V

MISCELLANEOUS PROVISIONS

Section 5.1. Incorporation by Reference of Master Indenture. The Master Indenture is incorporated herein by this reference as though set forth in full; and except to the extent specifically otherwise provided for herein, each of the provisions thereof shall be deemed to be in full force and effect with respect to the Series 2004A Bonds.

Section 5.2. Parties in Interest. Except as herein otherwise specifically provided and notwithstanding any provision of the Master Indenture to the contrary, nothing in this First Supplemental Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the Treasurer, the Department, the Paying Agent, the Trustee and the Secured Owners of or with respect to the Series 2004A Bonds any right, remedy or claim under or by reason of this First Supplemental Indenture, this First Supplemental Indenture being intended to be for the sole and exclusive benefit of the Treasurer, the Department, the Paying Agent, the Trustee and the Secured Owners of the Series 2004A Bonds.

Section 5.3. Notices to Rating Agencies. The Trustee shall promptly notify each Rating Agency of: (i) the resignation, termination, or appointment of a successor to the Trustee, the Paying Agent, or the Registrar; (ii) any amendment to the Master Indenture or this First Supplemental Indenture; or (iii) a defeasance of any Series 2004A Bond.

Section 5.4. Tax Covenants. Notwithstanding any other provision of this First Supplemental Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of interest on the Series 2004A Bonds will not be adversely affected for federal income tax purposes, the Department covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The Department will not take or omit to take any action or make any use of the proceeds of the Bonds or of any other moneys or property which would cause the Series 2004A Bonds to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The Department will make no use of the proceeds of the Series 2004A Bonds or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Series 2004A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The Department will make no use of the proceeds of the Series 2004A Bonds or take or omit to take any action that would cause the Series 2004A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The Department will take or cause to be taken all necessary

action to comply with the informational reporting requirement of Section 149(e) of the Code.

(e) Miscellaneous. The Department will take no action inconsistent with its expectations stated in the Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference herein.

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IN WITNESS WHEREOF, the parties hereto have caused this First Supplemental Indenture to be duly executed all as of the date first above written.

TREASURER OF THE STATE OF CALIFORNIA,
as Issuer and Trustee

Deputy Treasurer
For State Treasurer, Philip Angelides

CALIFORNIA TRANSPORTATION COMMISSION

Executive Director

CALIFORNIA DEPARTMENT OF
TRANSPORTATION

Authorized Department Representative

[TRUSTEE]

EXHIBIT A

FORM OF SERIES 2004A BOND

R-__

\$_____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co., or such other name as requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL in as much as the registered owner hereof, Cede & Co., has an interest herein.

As provided in the Indenture referred to herein, until the termination of the system of book-entry only transfers through DTC and notwithstanding any other provision of the Indenture to the contrary, a portion of the principal amount of this Bond may be paid or redeemed without surrender hereof to the Paying Agent, DTC or a nominee, transferee or assignee of DTC of this Bond may not rely upon the principal amount indicated hereon as the principal amount hereof outstanding and unpaid. The principal amount hereof outstanding and unpaid shall for all purposes be the amount determined in the manner provided in the Indenture.

**STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS
SERIES 2004A**

This Bond shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof, and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of this Bond. This Bond shall be payable solely from the Special Deposit Fund in the State Treasury, the assets of that Fund pledged to the payment hereof and the security provided thereby. The State of California shall not be obligated to pay the principal of, or interest on this Bond, except from Federal Transportation Funds received by the California Department of Transportation as provided in the Master Trust Indenture dated as of February 1, 2004, as amended and supplemented from time to time. The issuance of this Bond shall not directly or indirectly or contingently obligate the State of California or any of its political subdivisions to levy or to pledge any form of taxation whatever or to make any payment with respect to this Bond.

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NO.
_____%	February 1, ____	February 1, 2004	____
REGISTERED OWNER:	CEDE & CO.		
PRINCIPAL AMOUNT:	_____ AND NO/100 DOLLARS		

The STATE OF CALIFORNIA (the "State"), for value received, hereby promises to pay (but solely out of the funds hereinafter mentioned) to the registered owner specified above or registered assigns (the "Owner") the principal amount stated above on the maturity date stated above and to pay interest thereon at the interest rate specified above to the person shown in the Bond Register as the Owner hereof as of the close of business of the fifteenth day of the month preceding an Interest Payment Date (as defined herein) (the "Record Date"), except as otherwise provided below, on each February 1 and August 1, commencing on August 1, 2004 (each such date, an "Interest Payment Date") by bank check of _____ (the "Trustee"), as paying agent (the "Paying Agent"), sent by first class mail to such Owner at the address of such Owner as it appears on the register kept by the Registrar or at such other address as has been furnished to the Registrar in writing by such

Owner, or in immediately available funds (by wire transfer to an account within the United States or by deposit to such an account of the Owner if such account is maintained with the Paying Agent), but only to any Owner which owns Series 2004A Bonds in an aggregate principal amount of at least \$1,000,000 on the Record Date and has provided written instructions to the Registrar.

This Bond is one of a duly authorized issue of Bonds designated “State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2004A,” issued in an aggregate initial principal amount of _____ dollars (the “Bonds” or the “Series 2004A Bonds”). The Bonds are issued pursuant to the provisions of Chapter 4, Part 5.3, Division 3 of Title 2 (sections 14550 et seq. of the California Government Code), and under the Master Trust Indenture dated as of February 1, 2004, by and among the Commission, the Department, the Treasurer and the Trustee, as supplemented by the First Supplemental Indenture of Trust dated as of February 1, 2004 (such Master Trust Indenture, as so supplemented, the “Indenture”). Copies of the Indenture are on file with the Trustee. The Bonds are issued for the principal purpose of providing financing for Construction Costs of the Construction Projects. Capitalized terms which are not otherwise defined herein shall have the respective meanings ascribed to them in the Indenture.

Each Series 2004A Bond is issued in a denomination of \$5,000 or any integral multiple thereof (an “Authorized Denomination”) and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before the first Record Date, in which event it shall bear interest from the Dated Date specified above; provided, that if, as of the date of authentication of any such Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment. Both principal of and interest on this Series 2004A Bond are payable in lawful money of the United States of America, and (except for interest, which is payable by check as stated above) are payable upon presentation of this Series 2004A Bond at the Principal Office of the Paying Agent in Sacramento, California or such other place as may be designated by the Trustee. Interest on this Series 2004A Bond shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR ANY PUBLIC AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, OR INTEREST ON, THIS SERIES 2004A BOND. THIS SERIES 2004A BOND DOES NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

The Treasurer of the State of California (the “Treasurer”) and the Trustee may treat the Owner of this Series 2004A Bond (as evidenced by the Bond Register) as its absolute Owner for all purposes, and the Treasurer and the Trustee shall not be affected by any notice to the contrary.

All of the Bonds are secured in accordance with the terms of the Indenture, reference to which is hereby made for a specific description of the security provided for the Bonds, for the nature, extent and manner of enforcement of such security, for the covenants and agreements made for the benefit of the Owners of the Series 2004A Bonds, and for a statement of the rights of the Owners of the Series 2004A Bonds. By the acceptance of this Series 2004A Bond the Owner hereof consents to all of the terms, conditions and provisions of the Indenture including, but not limited to, the

limitations on the exercise of certain remedies set forth therein. In the manner provided in the Indenture, the Indenture and the rights and obligations of the Treasurer and of the Owner may (with certain exceptions as stated in the Indenture) be modified or amended with the consent of the Owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding, unless the modification or amendment is for the purpose of curing ambiguities, defects, or accomplishing the other purposes set forth in the Indenture, in which case no consent of the Owners is required.

The principal of and interest on this Series 2004A Bond are secured by an irrevocable pledge of, and are payable solely out of, the Trust Estate, all as more particularly set forth in the Indenture. The Series 2004A Bonds are issued on a parity with any additional obligations meeting the requirements of the Indenture for Bonds on a parity with the Series 2004A Bonds.

The Series 2004A Bonds are not subject to redemption prior to their maturity.

This Series 2004A Bond is issued in fully registered form and is negotiable upon proper transfer of registration. This Series 2004A Bond may be exchanged for an aggregate principal amount of the Series 2004A Bonds in an Authorized Denomination. This Series 2004A Bond is transferable by the Owner in person or by his attorney duly authorized in writing, at the Principal Office of the Registrar, upon surrender and cancellation of this Series 2004A Bond but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture. Upon transfer, a new Series 2004A Bond of any Authorized Denomination for the same aggregate principal amount will be issued to the transferee in exchange therefor.

This Series 2004A Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

It is hereby recited, certified and declared that any and all acts, conditions and things required to exist, to happen and to be performed precedent to and in the issuance of this Series 2004A Bonds exist, have happened and have been performed in due time, form and manner as required by the Constitution and laws of the State of California.

IN WITNESS WHEREOF, the Treasurer has caused this Series 2004A Bond to be signed on its behalf by facsimile signature, all as of the date set forth above.

TREASURER OF THE STATE OF CALIFORNIA

Deputy Treasurer,
For State Treasurer, Philip Angelides

[FORM OF CERTIFICATE OF AUTHENTICATION]

This is one of the Series 2004A Bonds described in the within-mentioned Indenture.

Dated: _____, _____,
as Trustee

For State Treasurer, Philip Angelides

[FORM OF ASSIGNMENT]

For value received the undersigned hereby sells, assigns and transfers unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s)

_____, attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Signature:

Note: _____
Signature(s) must be guaranteed by an
eligible guarantor institution.

Note: _____
The signature(s) on this Assignment must
correspond with the name(s) as written on
the face of the within registered Bond in
every particular without alteration or
enlargement or any change whatsoever.

Table of Contents

Page

ARTICLE I DEFINITIONS 1

Section 1.1	Definitions.....	1
-------------	------------------	---

ARTICLE II	FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS.....	2
------------	--	---

Section 2.1	Issuance of Bonds; Form	2
-------------	-------------------------------	---

Section 2.2	Terms of the Bonds	2
-------------	--------------------------	---

Section 2.3	Book-Entry System.....	4
-------------	------------------------	---

Section 2.4	Transfer of Bonds	5
-------------	-------------------------	---

ARTICLE III	REDEMPTION OF BONDS	5
-------------	---------------------------	---

Section 3.1	Bonds Redeemable.....	5
-------------	-----------------------	---

Section 3.2	Selection of Bonds To Be Redeemed	5
-------------	---	---

ARTICLE IV	REVENUES AND FUNDS	5
------------	--------------------------	---

Section 4.1	Disposition of Bond Proceeds and Certain Other Moneys	5
-------------	---	---

Section 4.2	Costs of Issuance Fund	6
-------------	------------------------------	---

Section 4.3	Rebate Account.....	6
-------------	---------------------	---

Section 4.4	Subaccount of Construction Fund.....	7
-------------	--------------------------------------	---

ARTICLE V	MISCELLANEOUS PROVISIONS	9
-----------	--------------------------------	---

Section 5.1	Incorporation by Reference of Master Indenture.....	9
-------------	---	---

Section 5.2	Parties in Interest.....	9
-------------	--------------------------	---

Section 5.3	Notices to Rating Agencies.....	9
-------------	---------------------------------	---

Section 5.4	Tax Covenants	9
-------------	---------------------	---

EXHIBIT A	Form of Series 2004A Bond	A-1
-----------	---------------------------------	-----

EXHIBIT B	Form of Blanket Issuer Letter Of Representations	B-1
-----------	--	-----

EXHIBIT C	Series 2004A Construction Projects	C-1
-----------	--	-----

MASTER INDENTURE OF TRUST

Dated as of February 1, 2004

By and Among

CALIFORNIA TRANSPORTATION COMMISSION

the

TREASURER OF THE STATE OF CALIFORNIA

and

CALIFORNIA DEPARTMENT OF TRANSPORTATION

Relating to the

**STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS**

MASTER INDENTURE OF TRUST

This MASTER INDENTURE OF TRUST (this “Indenture”), dated as of February 1, 2004, is by and among the CALIFORNIA TRANSPORTATION COMMISSION (the “Commission”), the DEPARTMENT OF TRANSPORTATION (the “Department”), and the TREASURER OF THE STATE OF CALIFORNIA (the “Treasurer”), as issuer and initial trustee.

WITNESSETH:

WHEREAS, pursuant to the provisions of Chapter 4, Part 5.3, Division 3 of Title 2 of the California Government Code (the “Act”), the Treasurer is authorized to issue notes (the “Bonds”) from time to time pursuant to resolution of the Commission to provide funds for the financing of selected eligible projects under the Act, such funds to be available for use as directed by the Commission and administered by the Department; and

WHEREAS, the Treasurer, the Commission and the Department wish to provide in this Indenture for the issuance and payment of the Bonds and to establish the terms of and security therefor, and the Trustee is willing to accept the trusts provided in this Indenture;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of Obligations (as defined herein) to be issued or incurred pursuant to and secured by the provisions of this Indenture and the performance and observance by the Treasurer, the Commission and the Department of all of the covenants, agreements and conditions expressed or implied herein and contained in the Obligations, the Department and the Commission pledge and assign to the Treasurer and the Treasurer pledges and assigns to the Trustee and grants to the Trustee a security interest in all right, title and interest of the Department, the Commission and the Treasurer in and to: (i) all Federal Transportation Funds and, to the extent set forth in a Supplemental Indenture, any Additional Security; (ii) all Federal Aid Agreements; (iii) all moneys deposited into funds or accounts created in Article IV of this Indenture or in a Supplemental Indenture to be held by or on behalf of the Treasurer, the Commission, the Department or the Trustee, subject to the provisions of this Indenture relating to each of such funds and accounts (but excluding moneys on deposit in the Rebate Fund, the Administrative Expense Fund and any moneys received by the Commission, the Department, the Treasurer or the Trustee that are restricted to another use); and (iv) all payments received by the Department, the Commission, or the Trustee pursuant to Swap Agreements (collectively, the “Trust Estate”),

First: for the equal and proportionate benefit and security of all Senior Lien Obligations, all of which, regardless of the time or times of their delivery, maturity or other due date, shall be of equal rank without preference, priority or distinction as to the lien or otherwise of any Senior Lien Obligation over any other Senior Lien Obligation, except as otherwise permitted by or provided for in this Indenture, and except that any funds held by the Trustee for the payment of specific Senior Lien Obligations which are deemed to have been paid pursuant to the provisions of Article VII and any funds deposited with the Trustee hereunder specifically to be held in escrow or otherwise to provide additional security or an additional source of payment for specified Senior Lien Obligations shall be held and used only to pay or provide security for the Senior Lien Obligations for which such deposit was made and shall not be held as security on a parity for all Senior Lien

Obligations; and provided further, that the Trustee shall apply the Trust Estate hereunder to the payment of the principal of, and interest on, and other payments with respect to the Senior Lien Obligations and for the purposes and uses and in the order of priority set forth herein prior to the payment of the principal of, interest on, and other payments with respect to Subordinate Lien Obligations;

Second: subject to the security interest in the Trust Estate pledged for the security and payment of the Senior Lien Obligations, for the equal and proportionate benefit and security of all Subordinate Lien Obligations, all of which, regardless of the time or times of their delivery, maturity or other due date, shall be of equal rank without preference, priority or distinction as to the lien or otherwise of any Subordinate Lien Obligation over any other Subordinate Lien Obligation, except as otherwise permitted in other provisions of this Indenture, and except that any funds held by the Trustee for the payment of specific Subordinate Lien Obligations which are deemed to have been paid pursuant to the provisions of Article VII and any funds deposited with the Trustee hereunder specifically to be held in escrow or otherwise to provide additional security or an additional source of payment for specified Subordinate Lien Obligations shall be held and used only to pay or provide security for the Subordinate Lien Obligations for which such deposit was made and shall not be held as security on a parity for all Subordinate Lien Obligations; and provided further, that the Trustee shall apply the Trust Estate hereunder to the payment of the principal of, and interest on, and other payments with respect to the Subordinate Lien Obligations and for the purposes and uses and in the order of priority set forth herein subordinate to the payment of the Senior Lien Obligations.

The Trustee is a fiduciary solely for the benefit of the Registered Owners of the Bonds, and the Trustee is not a fiduciary of the other Secured Owners who are not Registered Owners of Bonds.

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.1. Definition of Terms. Except as otherwise indicated, references to Articles and Sections are to the Articles and Sections of this Indenture. The terms defined in this Article shall, for all purposes of this Indenture, have the respective meanings specified herein unless the context clearly requires otherwise.

“Act” shall mean Chapter 4 (commencing with Section 14550) of Part 5.3, Division 3 of Title 2 of the California Government Code, as the same may be amended from time to time.

“Additional Security” shall mean any credit enhancement which the Treasurer, the Department and the Commission choose to include as security for specified Obligations pursuant to a Supplemental Indenture, a Credit Support Agreement or a Swap Agreement.

“Administrative Expense” shall mean any expense payable by the Commission or the Department in connection with an Obligation (other than the payment of the principal and purchase price of and interest and redemption premium on the Obligation) including, but not limited to, fees and expenses of the Commission, the Department, the Department of Finance, the Treasurer, the

Trustee, the Registrar, Paying Agents, Bond Counsel, the Attorney General of the State, Financial Consultants, arbitrage rebate consultants, accountants and other advisors and consultants.

“Administrative Expense Fund” shall mean the fund created and so designated pursuant to Section 4.5.

“Annual Debt Service” shall mean, for any Fiscal Year, with respect to all Outstanding Bonds or with respect to all Outstanding Senior Lien Bonds or all Outstanding Subordinate Lien Bonds, as the case may be, and any Bonds then proposed to be issued, (i) the aggregate amount of principal and interest scheduled to become due with respect to such Bonds in such Fiscal Year, calculated by the Department or by a Financial Consultant in accordance with this definition, *plus* (ii) the amounts, if any, payable or estimated by the Department or such Financial Consultant to be payable by the Department in such Fiscal Year with respect to Swap Agreements, *minus* (iii) the amounts, if any, payable or estimated by the Department or such Financial Consultant to be payable to the Department in such Fiscal Year with respect to Swap Agreements, *provided that* the difference between the amounts described in clauses (ii) and (iii) shall be included only to the extent that such difference would not be recognized as a result of the application of the assumptions set forth below.

For purposes of this definition:

(a) Payments representing interest with respect to the Bonds that are payable from accrued interest or capitalized interest held in a Debt Service Fund hereunder shall be excluded in determining the amount of Annual Debt Service due in the Fiscal Year in which such interest payments occur for purposes of determining (I) the maximum amount of Annual Debt Service for the certificate required pursuant to Section 2.11 hereunder; and (II) the amount of Federal Transportation Funds for which Federal Aid Agreements are to be in force and effect pursuant to Section 2.9(f) hereof;

(b) If the subject Bonds are supported by a Credit Support Instrument in the form of a line of credit or a letter of credit, principal may, at the option of the Treasurer, be treated as if it were due based upon a level amortization of such principal over the maximum term of repayment of borrowings under the Credit Support Agreement entered into in connection with such line of credit or letter of credit;

(c) If any Outstanding Bond constitutes Variable Rate Indebtedness, such that the Debt Service due with respect to such Bond in a Fiscal Year or on a date for the payment of such Debt Service cannot be determined with certainty on the date on which Federal Transportation Funds are to be paid to the Trustee for the purposes of paying such Debt Service hereunder, or in determining the amount of Debt Service on such Variable Interest Rate Indebtedness due during a Fiscal Year for purposes of preparing the certificate required by Section 2.11 hereunder, the amount of interest on such Bond shall be based upon the interest rate estimated by the Department in consultation with the Treasurer, or as stated in any Supplemental Indenture related thereto;

(d) If moneys or Government Obligations have been irrevocably deposited with and are held by the Trustee or another fiduciary in escrow to be used to pay principal and/or interest on any specified Bond or Bonds, then the principal and/or interest to be paid from such moneys, from Government Obligations or from the earnings thereon shall be disregarded and not included in calculating Annual Debt Service.

“Authorized Commission Representative” shall mean any of the Executive Director of the Commission, the Chair of the Commission and any designee of the Executive Director or the Chair so identified in a written certificate delivered to the Treasurer and the Trustee.

“Authorized Department Representative” shall mean any of the Director of the Department of Transportation, the Chief Deputy Director thereof, the Chief Financial Officer thereof and any designee of the Director so identified in a written certificate delivered to the Treasurer, the Commission and the Trustee.

“Beneficial Owner” shall mean, with respect to any Book-Entry Bond, the beneficial owner of such Bond as determined in accordance with the applicable rules of the Securities Depository for such Book-Entry Bonds.

“Bond” or “Bonds” shall mean indebtedness and securities of any kind or class, including bonds, notes, bond anticipation notes and commercial paper issued under the provisions of the Act and Article II of this Indenture.

“Bond Counsel” shall mean any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the validity of, and exclusion from gross income for federal tax purposes of interest on, bonds issued by states and political subdivisions and duly admitted to practice law before the highest court of any state of the United States and acceptable to the Treasurer and the Commission.

“Bondholder,” “holder,” “Owner” or “Registered Owner” shall mean the person in whose name any Bond or Bonds are registered in the Bond Register.

“Bond Register” shall mean the register maintained pursuant to Section 2.4.

“Book-Entry Bonds” shall mean Bonds issued under a book-entry only depository system.

“Business Day” shall mean any day other than (i) a Saturday, (ii) a Sunday, (iii) a day on which the New York Stock Exchange is closed, (iv) a day on which the offices of the State are permitted or required by law to close or (v) a day on which banking institutions are authorized or required by law or executive order to be closed in the State, the State of New York or any city in which is located either the Principal Office of the Trustee or, with respect to a Series of Bonds the subject of a Credit Support Instrument, the office of any Credit Provider at which draws with respect to which such Credit Support Instrument is to be presented.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and the United States Treasury Regulations proposed or adopted from time to time with respect thereto.

“Commission” shall mean the California Transportation Commission.

“Construction Costs” shall mean all costs and expenses paid or incurred or to be paid or incurred (including the reimbursement of the Commission or the Department for any of such costs and expenses originally paid or incurred by the Commission or the Department) in connection with:

(a) The acquisition of right-of-way for, construction of and improvements made as part of the Construction Projects;

(b) Financing costs, including without limitation, all items of expense directly or indirectly payable by or reimbursable to the Commission, the Department or the Treasurer and related to the authorization, execution, sale and delivery of Bonds, including, but not limited to, advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of the Commission, the Department, the Department of Finance, the Treasurer and the Trustee, paying agents, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of Bonds, surety, insurance, liquidity and credit enhancements costs, and any other cost, charge or fee incurred in connection with the issuance of Bonds, the Trust Estate, or any Indenture;

(c) Payment of interest on the Bonds (but in no event shall the proceeds of any Series of Bonds be used to pay capitalized interest with respect to such Series of Bonds for a period longer than twelve (12) months);

(d) Costs and expenses relating to any Credit Support Instrument entered into in accordance with this Master Indenture, including the reimbursement of the Credit Provider with respect to any such Credit Support Instrument;

(e) Costs and expenses relating to any Swap Agreement entered into in accordance with the provisions of this Master Indenture; and

(f) Amounts required to be deposited into the Rebate Fund hereunder and the Tax Certificates.

“Construction Fund” shall mean the fund created and so designated by Section 4.1.

“Construction Project” shall mean any Qualified Federal Aid Transportation Project that has been programmed and allocated funds by the Commission.

“Continuing Disclosure Agreement” shall mean the agreement dated as of February 1, 2004 between the Department and the Treasurer, as initial dissemination agent.

“Costs of Issuance” shall mean the financing costs described in paragraph (b) of the definition of Construction Costs.

“Credit Provider” shall mean any municipal bond insurance company, bank or other financial institution or organization or group of financial institutions or organizations and any successor to such provider or providers, or any replacement therefor.

“Credit Support Agreement” shall mean, with respect to any Credit Support Instrument for a Series of Bonds, the agreement or agreements (which may be the Credit Support Instrument itself) between the Treasurer, the Department or the Trustee, as applicable, and the applicable Credit Provider, as originally executed or as such agreement or instrument may from time to time be amended or supplemented in accordance with its terms, providing for the issuance of the Credit Support Instrument to which such Credit Support Agreement relates and the reimbursement of the Credit Provider for payments made thereunder, or any subsequent agreement pursuant to which a substitute Credit Support Instrument is provided, together with any related pledge agreement, security agreement or other security document entered into in connection therewith.

“Credit Support Instrument” shall mean a policy of insurance, a letter of credit, a line of credit, standby purchase agreement, revolving credit agreement or other credit arrangement pursuant to which a Credit Provider provides credit or liquidity support with respect to the payment of the principal of or interest on any Series of Bonds, as the same may be amended from time to time pursuant to its terms, and any replacement therefor.

“Debt Service” shall mean the principal of and interest on and any premium in connection with the Bonds.

“Debt Service Fund” shall mean the Senior Lien Debt Service Fund created and so designated pursuant to Section 4.2 or the Subordinate Lien Debt Service Fund created and so designated pursuant to Section 4.2, or both, as the case may be.

“Default” or “Event of Default” shall mean any occurrence or event specified in Section 8.1.

“Delivery Date” shall mean the date on which a Series of Bonds is delivered to the original purchasers thereof.

“Department” shall mean the California Department of Transportation and any successor to its functions.

“Department of Finance” shall mean the California Department of Finance and any successor to its functions.

“Federal Aid Agreement” shall mean one or more agreements or memoranda of understanding between the Department and FHWA pursuant to which FHWA agrees to pay Federal Transportation Funds to pay or to reimburse the Department or the Trustee for Annual Debt Service, as such agreement or agreements may be amended or modified or replaced by another agreement or instrument regarding the payment of Federal Transportation Funds by FHWA to pay or to reimburse the Department for Annual Debt Service.

“Federal Aid Authorization” shall mean, as applicable, (a) Title 23, (b) any extension of Title 23, or (c) any successor to Title 23 authorizing federal funding of state highways.

“Federal Fiscal Year” shall mean the period commencing on October 1 in each calendar year and ending on the last day of September of the next succeeding calendar year, or any other twelve-month period which any appropriate authority may hereafter establish for the federal government as its fiscal year.

“FHWA” shall mean the United States Department of Transportation, Federal Highway Administration, its successors and assigns and any other agency or branch of the government of the United States which succeeds to the powers of the FHWA, which term includes the United States Secretary of Transportation and any other appropriate officer of FHWA with authority to grant approvals or consents or to take other appropriate action as is necessary to approve the Construction Projects, federal grants or to finance the Construction Projects and the payment of Annual Debt Service and to take such other action as is necessary for those purposes under Federal Aid Authorization.

“Federal Transportation Funds” shall mean all revenues and funds received by or on behalf of, or available to the State pursuant to Federal Aid Authorization that are legally available for the payment of Debt Service with respect to the Obligations and Construction Costs related to a Construction Project. The Federal Transportation Funds include, without limitation, those derived from Federal Aid Authorization from the National Highway System, bridges and the federal surface transportation programs and amounts available under minimum guarantees under, and as described in, the Federal Aid Authorization.

“Financial Consultant” shall mean any financial advisor or firm of financial advisors of favorable national reputation for skill and experience in performing the duties for which a Financial Consultant is required to be employed pursuant to the provisions hereof and who is retained by the Commission, the Department or the Treasurer as a Financial Consultant for the purposes hereof.

“Fiscal Year” shall mean the period of time beginning on July 1 of each given year and ending on June 30 of the immediately subsequent year, or such other similar period as the Commission designates as its fiscal year.

“Fitch” shall mean Fitch Inc. and its successors and assigns and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized rating agency designated by the Commission.

“Fixed Rate Indebtedness” shall mean (i) any indebtedness incurred pursuant to this Indenture other than Variable Rate Indebtedness and (ii) indebtedness incurred pursuant to this Indenture which, except for this clause (ii), would be Variable Rate Indebtedness but with respect to which the Department has entered into a Swap Agreement pursuant to which agreement the Department is required to make interest payments based on one or more rates of interest each of which is established at a single numerical rate for the entire remaining term of such agreement, provided that such Variable Rate Indebtedness shall be deemed to be Fixed Rate Indebtedness only while such Swap Agreement remains in effect and only if the counterparty thereto is not in default thereunder.

“Government Obligations” shall mean (i) non-callable obligations of, or obligations guaranteed as to principal and interest by, the United States or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States, including, but not limited to, all direct or fully guaranteed U.S. Treasury obligations, Farmers Home Administration certificates of beneficial ownership, General Services Administration Participation certificates, U .S. Maritime Administration Guaranteed Title XI financing, Small Business Administration - Guaranteed participation certificates and Guaranteed pool certificates, Government National Mortgage Association (“GNMA”) - GNMA guaranteed mortgage-backed securities and GNMA guaranteed participation certificates, U. S. Department of Housing and Urban Development Local authority bonds, Washington Metropolitan Area Transit Authority Guaranteed transit bonds, and State and Local Government Series, (ii) stripped securities where the principal-only and interest-only strips are derived from non-callable obligations issued by the U. S. Treasury and REFCORP securities stripped by the Federal Reserve Bank of New York, excluding custodial receipts, i.e. CATs, TIGERS, unit investment trusts and mutual funds, etc, and (iii) pre-refunded municipal bonds which are rated “AAA” by the Rating Agencies.

“Indenture” shall mean this Master Indenture of Trust together with all amendments and all Supplemental Indentures.

“Mail” shall mean by first-class United States mail, postage prepaid.

“Moody’s” shall mean Moody’s Investors Service, and its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the Commission.

“Obligation” shall mean any Bond, Reimbursement Obligation or Swap Agreement issued or incurred as an Obligation or a Subordinate Lien Obligation.

“Obligation Authority” shall mean the amount of funds apportioned or allocated by FHWA pursuant to Federal Aid Authorization to the Department for each Federal Fiscal year.

“Outstanding” or “Bonds Outstanding” or “Outstanding Bonds” shall mean all Bonds which have been authenticated and delivered under this Indenture, except: (i) Bonds cancelled or purchased by the Trustee for cancellation or delivered to or acquired by the Trustee for cancellation and, in all cases, with the intent to extinguish the debt represented thereby; (ii) Bonds deemed to be paid in accordance with Article VII; (iii) Bonds in lieu of which other Bonds have been authenticated under Section 2.5; (iv) Bonds that have become due (at maturity, on redemption, by acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the Trustee or a Paying Agent; (v) Bonds which, under the terms of the Supplemental Indenture pursuant to which they were issued, are deemed to be no longer outstanding; and (vi) for purposes of any consent or other action to be taken by the Owners of a specified percentage of Bonds under this Indenture, Bonds held by or for the account of the Commission or by any person controlling, controlled by or under common control with the Commission, unless such Bonds are pledged to secure a debt to an unrelated party, in which case such Bonds shall, for purposes of consents and other Bondholder action, be deemed to be Outstanding and owned by the party to which such Bonds are pledged. For purposes of this definition, Bonds the principal of and/or interest on which has been paid by a Credit Provider shall remain Outstanding until such time as such Credit Provider has been reimbursed in full for all amounts due it under the applicable Credit Support Agreement.

“Parity Swap Agreement” shall mean a Swap Agreement executed and delivered pursuant to Section 2.12 which satisfies the requirements established in Section 2.12 in order that some or all of the amounts payable by the Commission pursuant to such Swap Agreement may be secured by all or part of the Trust Estate on parity with the Bonds to which such Swap Agreement relates.

“Parity Swap Agreement Counterparty” shall mean the counterparty to a Parity Swap Agreement with the Commission or with the Trustee.

“Paying Agent” or “Paying Agents” shall mean the Trustee and/or any entity appointed by the Treasurer as a Paying Agent pursuant to Section 9.11.

“Permitted Investments” shall mean, if and to the extent permitted by law, any of the following:

(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest;

(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States;

(c) Bonds and notes of the State, or those for which the faith and credit of the State are pledged for the payment of principal and interest;

(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, State water district, State water storage district, irrigation district in the State, municipal utility district, or school district of the State;

(e) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended, and the bonds of any federal home loan bank established under that act, obligations of the Federal Home Loan Mortgage Corporation, in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended and bonds, notes and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act, as amended;

(f) Commercial paper of “prime” quality as defined by a Rating Agency that is issued by a corporation or trust approved by the Pooled Money Investment Board organized and operating within the United States, having total assets in excess of five hundred million dollars (\$500,000,000) or an entity approved by the Pooled Money Investment Board as a special purposes corporation or trust having program wide credit enhancements including, without limitation, over collateralization, letters of credit or surety bonds, provided that purchases of eligible commercial paper may not exceed 180 days’ maturity, represent more than 10 percent of the outstanding paper of an issuing corporation or trust nor exceed 30 percent of the resources of an investment program and, if requested by the State Treasurer’s Office, such investment shall be secured by depositing with the State Treasurer securities authorized by California Government Code Section 53651 having a market value at least 10 percent in excess of the amount of the investment;

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System;

(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank or a federally or state-chartered credit union;

(i) Bonds, debentures and notes issued by corporations organized and operating within the United States which securities are rated in one of the highest three Rating Categories by a Rating Agency;

(j) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration;

(k) Bank loans and obligations guaranteed by the Expert-Import Bank of the United States;

(l) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2);

(m) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank; the International Finance Corporation, or the Government Development Bank of Puerto Rico;

(n) Such other investments as may be authorized from time to time by law and by a Supplemental Indenture, provided that each Rating Agency then rating the Bonds has confirmed that the use of such additional investments will not result in the reduction or withdrawal of any rating on any Outstanding Bonds.

“Principal Office” shall mean, in the case of the Trustee, the office of the Trustee at which at any particular time its trust activities are being administered which office is located, as of the date hereof, in Sacramento, California, and in the case of a Paying Agent or a Registrar, the office so designated pursuant to Section 9.11 or 9.12, as the case may be, provided that, with respect to the presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office of the Trustee, Paying Agent or Registrar at which, at any particular time, its corporate trust business is being conducted.

“Qualified Federal Aid Transportation Project” shall mean any project that may be financed, in whole or in part, with Federal Transportation Funds and authorized under the Act.

“Rating Agency” shall mean each of Fitch, Moody’s, S&P and such other nationally recognized securities Rating Agency as may be so designated in writing to the Trustee by an Authorized Commission Representative which has assigned a rating to any Bond.

“Rebate Fund” shall mean the fund created and so designated pursuant to Section 4.4.

“Refunding Bond” shall mean any Bond which is issued solely for the purposes of (i) providing funds for the payment of principal, interest and redemption premium with respect to Outstanding Bonds of any one or more Series, or a portion of any Series in accordance with and as permitted by the Supplemental Indenture under which such Refunding Bonds are issued, (ii) paying the costs of issuing such Refunding Bonds.

“Registrar” shall mean the Trustee and/or any entity appointed by the Department in consultation with the Treasurer as a Registrar pursuant to Section 9.12.

“Reimbursement Obligation” shall mean an obligation of the Commission or the Department to pay amounts due under a Credit Support Agreement, including, without limitation, amounts advanced by a Credit Provider pursuant to a Credit Support Instrument as credit support or liquidity for Bonds, the interest with respect thereto and any fee payable to the Credit Provider.

“Responsible Officer” shall mean an officer or assistant officer of the Trustee assigned by the Trustee to administer this Indenture.

“S&P” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, and its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Commission.

“Secured Owner” shall mean, as to any particular Series of Bonds, each person who is a “Bondholder,” “Holder,” “Owner” or “registered owner” of the Bonds of such Series, each Parity Swap Agreement Counterparty providing a Parity Swap Agreement with respect to such Bonds and each Credit Provider providing a Credit Support Instrument with respect to such Bonds.

“Senior Lien Bonds” shall mean the Series 2004A Senior Lien Bonds and all Bonds issued pursuant to Section 2.9 on a parity with the Series 2004A Senior Lien Bonds.

“Senior Lien Debt Service Fund” shall mean the fund created and so designated pursuant to Section 4.2.

“Senior Lien Interest Account” shall mean the account in the Senior Lien Debt Service Fund created and so designated pursuant to Section 4.2.

“Senior Lien Obligations” shall mean (i) the Senior Lien Bonds and (ii) all or a part of the obligations of the Treasurer under Senior Lien Swap Agreements.

“Senior Lien Principal Account” shall mean the account in the Senior Lien Debt Service Fund created and so designated pursuant to Section 4.2.

“Senior Lien Swap Agreement” shall mean a Swap Agreement which provides that all or part of the Treasurer’s obligations thereunder are secured on a parity with the Senior Lien Bonds.

“Senior Lien Swap Agreement Counterparty” shall mean the counterparty to a Senior Lien Swap Agreement.

“Series” shall mean one or more Bonds issued at the same time, or sharing some other common term or characteristic, and designated as a separate Series.

“Series 2004A Bonds” shall mean the Bonds issued under the First Supplemental Indenture of Trust, dated as of February 1, 2004, by and among the Treasurer, the Commission, and the Department.

“Special Deposit Fund” shall mean the fund by that name established in the Treasury of the State of California pursuant the California Government Code, or any successor fund or account thereto.

“State” shall mean the State of California.

“State Highway Account” shall mean the account of that name in the State Transportation Fund in the Treasury of the State of California.

“State Treasurer” or “Treasurer” shall mean the Treasurer of the State of California and his or her duly authorized representative.

“State Treasurer’s Office” shall mean the office of the Treasurer of the State and any successor to its functions.

“Subordinate Lien Bonds” shall mean all Bonds issued pursuant Section 2.9 subordinate and junior to the lien on, pledge of and security in the Trust Estate for the benefit of the Secured Owners of the Senior Lien Obligations.

“Subordinate Lien Debt Service Fund” shall mean the fund created and so designated by Section 4.3.

“Subordinate Lien Interest Account” shall mean the account within the Subordinate Lien Debt Service Fund created and so designated by Section 4.3.

“Subordinate Lien Obligations” shall mean (i) the Subordinate Lien Bonds, (ii) the Reimbursement Obligations secured hereunder on a parity with the Subordinate Lien Bonds and (iii) the obligations of the Treasurer under Subordinate Lien Swap Agreements.

“Subordinate Lien Principal Account” shall mean the account within the Subordinate Lien Debt Service Fund created and so designated by Section 4.3.

“Subordinate Lien Swap Agreement” shall mean a Swap Agreement which provides that all or part of the Treasurer’s obligations thereunder are secured on a parity with the Subordinate Lien Bonds.

“Subordinate Lien Swap Agreement Counterparty” shall mean the counterparty to a Subordinate Lien Swap Agreement.

“Supplemental Indenture” shall mean any supplemental indenture then in full force and effect which has been duly approved by resolution of the Commission and signed by the Commission, the Treasurer, the Department and the Trustee and providing for the issuance of a Series or multiple Series of Bonds, amending and/or supplementing this Indenture or amending and/or supplementing another Supplemental Indenture.

“Swap Agreement” shall mean an agreement of a type executed and delivered pursuant to Section 2.12.

“Tax Certificate” shall mean the certificate by that name to be executed by the Treasurer and the Department on a Delivery Date to establish certain facts and expectations and which contains certain covenants relevant to compliance with the Code.

“Title 23” shall mean Chapter 1 of Title 23, United States Code, Highways, as amended and supplemented from time to time and any successor or replacement provision of law.

“Transportation Financing Subaccount” shall mean the subaccount by that name established in the State Highway Account of the State Transportation Fund pursuant to California Government Code section 14554 or any successor provision of law.

“Trust Estate” shall have the meaning set forth in the “Granting Clause” of this Indenture.

“Trustee” shall mean, initially, the Treasurer, or should a successor be named in accordance with the provisions of Section 9.9, such successor.

“Variable Rate Indebtedness” shall mean: (i) any indebtedness incurred pursuant to this Indenture the interest rate applicable to which is not established at the time of incurring of such indebtedness at a rate which cannot increase during the entire term thereof or has not at some subsequent date been established at a rate which cannot increase during the entire term thereof and (ii) indebtedness incurred pursuant to this Indenture which, except for this clause (ii), would be Fixed Rate Indebtedness but with respect to which the Commission has entered into a Swap Agreement pursuant to which the Commission is required to make interest payments based on a rate of interest which is not established at a single numerical rate for the entire remaining term of such Swap Agreement, provided that such Fixed Rate Indebtedness shall be deemed to be Variable Rate Indebtedness only while such agreement remains in effect and only if the counterparty thereto is not in default thereunder.

Section 1.1. Interpretation.

(a) Unless the context otherwise requires:

- (i) a term has the meaning assigned to it in Section 1.1;
- (ii) an accounting term not otherwise defined has the meaning assigned to it in accordance with generally accepted accounting principles as such principles apply to governmental agencies;
- (iii) “or” is not exclusive;
- (iv) words in the singular include the plural, and words in the plural include the singular;
- (v) provisions apply to successive events and transactions; and
- (vi) the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding articles, sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular article, section or subdivision hereof.

ARTICLE II

FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS

Section 2.1 Issuance of Bonds; Forms. Bonds may be issued hereunder, in book-entry form or otherwise, from time to time as the issuance thereof is requested pursuant to the Act by the Commission and approved by the Treasurer. The Bonds shall be designated the “State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series _____,” inserting in the blank an appropriate identifying series year and letter and including such other characteristics as may be provided by a Supplemental Indenture including the appropriate description of seniority (such as Senior Lien or Subordinate Lien, if appropriate or necessary). The Bonds may have any notations, legends or endorsements required by law or custom and usage, and Bonds issued in whole or in part to refund other Bonds may include the word “Refunding” in their name. The Bonds shall be numbered and dated as provided in the applicable Supplemental Indenture.

All Bonds shall contain on the face thereof a statement to the following effect:

This Bond shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof; and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of this Bond. This Bond shall be payable solely from the Special Deposit Fund in the State Treasury, the assets of that account pledged to the payment hereof and the security provided thereby. The State of California shall not be obligated to pay the principal of, or interest on the Bonds, except from Federal Transportation Funds as provided in the Master Trust Indenture dated as of February 1, 2004, as amended and supplemented from time to time. The issuance of this Bond shall not directly or indirectly or contingently obligate the State of California or any of its political subdivisions to levy or to pledge any form of taxation whatever or to make any payment with respect to this Bond.

Section 2.2. Terms of the Bonds. The Bonds shall be issued in the principal amounts, bear interest at a rate or rates (including variable or adjustable rates), not exceeding the maximum rate then permitted by law, shall mature and shall be subject to redemption prior to their respective maturities, all as shall be set forth in a Supplemental Indenture. The Bonds shall be payable in lawful money of the United States, and the payment of principal and purchase price of, and premium, if any, and interest on the Bonds shall be made as specified in the Supplemental Indenture providing for the issuance thereof or as provided in such Bonds themselves.

Section 2.3. Execution and Authentication. The Bonds shall be signed by the Treasurer with his manual or facsimile signature or the manual or facsimile signature of the Treasurer’s designee. The Treasurer may deliver to the Trustee or its agent duly executed Bonds for authentication from time to time by the Trustee or its agent as such Bonds may be required. Bonds executed and so delivered and authenticated will be valid. In case any Treasurer or designee of the Treasurer whose signature or whose facsimile signature shall appear on any Bonds shall cease to be such officer before the authentication of such Bonds, such signature or the facsimile

signature thereof shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until authentication. Also, if a person signing a Bond is the proper officer on the actual date of execution, the Bond will be valid even if that person is not the proper officer on the nominal date of action and even though, at the date of this Indenture, or the related Supplemental Indenture such person was not such officer.

A Bond will not be valid until the Trustee or its agent manually signs the certificate of authentication on the Bond. Such signature will be conclusive evidence that the Bond has been authenticated under this Indenture.

The Trustee may appoint an authenticating agent acceptable to the Treasurer to authenticate Bonds or may appoint different authenticating agents for different Series of Bonds. An authenticating agent may authenticate Bonds whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent.

Section 2.4. Bond Register. Bonds of each Series may be presented at the Principal Office of the applicable Registrar, unless a different office has been designated for such purpose, for registration, transfer and exchange. The Registrar will keep a register of each Series of Bonds and of their transfer and exchange.

Section 2.5 Mutilated, Lost, Stolen or Destroyed Bonds.

(a) In the event any Bond is mutilated or defaced but identifiable by number and description, the Treasurer shall execute and the Trustee shall authenticate and deliver a new Bond of like Series, date, maturity and denomination as such Bond, upon surrender thereof to the Trustee; provided that there shall first be furnished to the Treasurer and the Trustee clear and unequivocal proof satisfactory to the Treasurer and the Trustee that the Bond is mutilated or defaced to such an extent as to impair its value to the Bondholder. The Bondholder shall accompany the above with a deposit of money required by the Treasurer for the cost of preparing the substitute Bond and all other expenses connected with the issuance of such substitute. The Trustee shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(b) In the event any Bond is lost, stolen or destroyed, the Treasurer may execute and the Trustee may authenticate and deliver a new Bond of like date, maturity and denomination as that Bond lost, stolen or destroyed; provided that there shall first be furnished to the Treasurer and the Trustee evidence of such loss, theft or destruction satisfactory to the Treasurer and the Trustee, together with indemnity satisfactory to them and all other expenses connected with the issuance of such substitute. The Trustee shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(c) The Trustee shall charge the Bondholder of such Bond all transfer taxes, if any, and their reasonable fees and expenses in this connection. All substitute Bonds issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, if numbering is provided for by the Supplemental Indenture or the Trustee, as determined by the Trustee. In the event any such Bond shall be about to mature or has matured or been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same at its maturity or redemption without surrender thereof.

Section 2.6. Registration and Transfer and Exchange of Bonds; Persons Treated as Owners. All Bonds shall be issued in fully registered form. Except as otherwise specified in a Supplemental Indenture, the Trustee shall use a book-entry system for the registration of transfers and exchanges of the Bonds; and the details of such system shall be as established from time to time by one or more Supplemental Indentures. If the Bonds are not restricted to being registered in the Bond Register in the name of a nominee pursuant to a book-entry system or any other system for the immobilization of the Bonds, they shall be registered in whatever name or names Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee or Registrar in connection with any transfer or exchange, as hereinafter provided, shall be paid by the Treasurer but solely from amounts on deposit in the Administrative Expense Fund.

Upon surrender for transfer of any Bond at the Principal Office of the Registrar, the Registrar shall deliver in the name of the Owner or the transferee or transferees, as the case may be, a new fully authenticated and registered Bond or Bonds of Authorized Denominations of the same Series and same maturity for the aggregate principal amount which the Bondholder is entitled to receive. All Bonds presented for transfer, redemption or payment shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Registrar, duly executed by the Bondholder or by his duly authorized attorney. The Registrar also may require payment from the Bondholder of a sum sufficient to cover any tax, or other governmental fee or charge that may be imposed in relation thereto. Such taxes, fees and charges shall be paid before any such new Bond shall be delivered. The Registrar shall not be required to register the transfer of any Bond during the five Business Days preceding the selection of Bonds for redemption or of any Bond selected for redemption.

Bonds delivered upon any transfer as provided herein, or as provided in Section 2.5 hereof, shall evidence the same debt as the Bond surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Bond surrendered. The Treasurer, the Trustee, the Registrar and the Paying Agent shall treat the Bondholder, as shown on the registration books kept by the Registrar, as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the Bondholder, except that all interest payments will be made to the party who, as of the applicable Record Date, is the Bondholder.

Section 2.7. Destruction of Bonds. Whenever any Outstanding Bonds shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.5 or transfer pursuant to Section 2.6, such Bond shall be cancelled and destroyed by the Trustee.

Section 2.8. Temporary Bonds. Pending preparation of definitive Bonds of any Series, the Treasurer may execute and the Trustee shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions, interim receipts, certificates or temporary Bonds which shall be exchanged for the Bonds.

If temporary Bonds shall be issued, the Treasurer shall cause the definitive Bonds to be prepared and to be executed, authenticated and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary Bond, shall cancel the same and deliver in exchange therefor at the place designated by the Bondholder, without charge to the Bondholder thereof, definitive Bonds of an equal aggregate principal amount, of the same Series, maturity and bearing interest at

the same rate or rates as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder.

Section 2.9. Issuance of Series of Bonds; Supplemental Indenture; Application of Bond Proceeds. Bonds may be issued in Series from time to time pursuant to a Supplemental Indenture, subject to the conditions of this Section, for the purposes of (i) financing Construction Costs or (ii) refunding any Bond, or any combination of (i) and (ii).

Such Supplemental Indenture may provide for the appointment of a Registrar or Registrars and a Paying Agent or Paying Agents in addition to or in place of the Trustee, may provide for the establishment of funds and accounts in addition to those established in this Indenture, and may provide Additional Security. Such Supplemental Indenture may also provide that the interest rate on Bonds of the Series thereby authorized and the duration of the periods during which such interest accrues may from time to time be adjusted (provided that the Bond interest rate shall never exceed the maximum interest rate permitted by law, if any) and that such Bonds may be purchased upon the demand of the Owners thereof or shall be subject to mandatory purchase upon the occurrence of certain events or certain times, and such provisions may include, without limitation, the creation of objective standards for such adjustments, the appointment of agents to apply such standards to such Bonds, the criteria for such purchases upon demand and the procurement of Credit Support Instruments with respect to such Bonds. The Supplemental Indenture shall specify whether the Series of Bonds thereby authorized are Bonds secured on a parity with the Series 2004A Bonds or are Subordinate Lien Bonds.

Each of the Bonds of a Series, upon execution by the Treasurer, shall be deposited with the Trustee or the Trustee's agent for authentication and delivery, but prior to or simultaneously with the delivery of such Bonds, there shall be filed with the Trustee the following:

- (a) an original executed counterpart or a copy, certified by the Treasurer, of this Indenture, together with all prior Supplemental Indentures;
- (b) an original executed counterpart or a copy, certified by the Treasurer, of the Supplemental Indenture providing for the issuance of such Series of Bonds and setting forth the terms of such Bonds;
- (c) if credit enhancement or liquidity support is to be provided at the time of issuance of the Series, the executed Credit Support Instrument(s), if any, relating to such Bonds;
- (d) in the event one or more Credit Support Instruments are then in effect in connection with any Outstanding Series, a certificate executed by Treasurer to the effect that all conditions precedent to the issuance of the proposed Bonds established by each of the applicable Credit Support Agreements and other similar agreements have been fulfilled;
- (e) except as otherwise provided in Sections 2.10 and 2.11, a certificate executed by an Authorized Department Representative, as provided for in Section 2.11;
- (f) evidence of Federal Aid Agreements in full force and effect as required to pay Debt Service on all Outstanding Obligations, including the Bonds to be issued pursuant to the Supplemental Indenture, as such Obligations shall become due and payable from time to time;

(g) written instructions from the Commission, executed by an Authorized Commission Representative, and the Department, executed by an Authorized Department Representative, to the Trustee setting forth the respective portions of the proceeds from the sale of such Bonds to be deposited in the various funds and accounts established hereunder or under any Supplemental Indenture held by the Trustee;

(h) written instructions from the Treasurer to the Trustee, to authenticate the Bonds and, upon receipt of the purchase price, to deliver the Bonds to or upon the order of the purchasers named in such instructions;

(i) if required by law as a condition precedent to the issuance of the Bonds proposed to be issued, a certificate executed by an Authorized Commission Representative to the effect that, Commission, in cooperation with the Department and the Department of Finance, pursuant to Section 14553.8 of the California Government Code, has found and determined the appropriateness of funding the Project under the Act in comparison to other funding mechanisms;

(j) a certificate executed by an Authorized Commission Representative and a certificate executed by an Authorized Department Representative, each to the effect that no Event of Default has occurred and is then continuing;

(k) a certificate executed by an Authorized Department Representative to the effect that in the reasonable belief of the Department, so long as Federal Transportation Funds continue to be received by the State, there exists at the time of such certification sufficient unspent continuous appropriation authority to pay Debt Service with respect to the Bonds to be outstanding upon delivery of the Series of Bonds proposed to be issued;

(k) an opinion of Bond Counsel to the effect that the execution of the Supplemental Indenture creating such Series of Bonds has been duly authorized in accordance with this Indenture and that such Series of Bonds, when duly executed by the Treasurer and authenticated and delivered by the Trustee, will be valid and binding obligations.

When the documents mentioned in clauses (a) to (k), inclusive, of this Section shall have been filed with the Trustee, and when such Bonds shall have been executed and authenticated, the Trustee or authenticating agent shall deliver such Bonds to or upon the order of the purchasers thereof, but only upon payment by the purchasers of the purchase price of such Bonds, and apply the proceeds from the sale of such Bonds as directed by the Treasurer, the Department and the Commission.

Section 2.10. Refunding Bonds. Refunding Bonds may be issued under and secured by this Indenture, but only if there is delivered to the Trustee a certificate of an Authorized Department Representative to the effect that all Federal Aid Agreements with respect to such Obligations that will be Outstanding after the issuance of the Refunding Bonds have been amended to reflect the new Debt Service on such Obligations.

Section 2.11. Tests for Issuance of Additional Bonds. Except as provided in Section 2.10 hereof, subsequent to the issuance of the Series 2004A Bonds, as a condition to the issuance of any Bonds, there shall first be delivered to the Treasurer and the Trustee a certificate of an Authorized Department Representative to the effect that: (i) the total amount of Federal Transportation Funds deposited in the State Highway Account in the State Transportation Fund for

any consecutive twelve (12) month period within the preceding twenty-four (24) months was not less than three hundred thirty-three and 1/3 percent (333 1/3%) of the Annual Debt Service with respect to all Outstanding Obligations in any Fiscal Year, including Annual Debt Service with respect to the Series of Bonds proposed to be issued, but excluding, in the case of a Series of Refunding Bonds, the Annual Debt Service with respect to the Bonds to be refunded, (ii) the Department has no information which would indicate that during the term of the then-current Federal Aid Authorization period Federal Transportation Funds will not be available to the Department sufficient to pay, when due, Annual Debt Service on Obligations to be Outstanding, and (iii) to the Department's knowledge, the Department has complied with all applicable provisions of the Federal Aid Authorization then in effect and any other applicable law, compliance with which is necessary, as of the date of the delivery of such Series of Additional Bonds, to receive and continue to receive Federal Transportation Funds in amounts sufficient to pay Obligations, when due, to be Outstanding during the term of the Federal Aid Authorization then in effect.

Section 2.12. Certain Agreements and Swaps. The Treasurer at the request of the Department may, and the Trustee shall, if so directed in writing by the Treasurer, enter into one or more agreements in order to place any Series, or any portion thereof, on the interest rate, currency, cash-flow, or other basis desired by the Department, including, without limitation, interest rate swap agreements, currency swap agreements, forward payment conversion agreements, futures contracts, contracts providing for payments based on levels of or changes in interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, and contracts including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency rate, spread or similar exposure, provided that Trustee shall have first received the following: (i) an opinion of Bond Counsel to the effect that the execution of the agreement is permitted under the laws of the State and this Indenture and will not adversely affect the exclusion of gross income of interest on the Bonds for federal income tax purposes; (ii) evidence that the execution of the agreement will not result in a reduction or withdrawal of the underlying ratings (that is, the ratings without regard to any Credit Support Instruments then applicable to Bonds) then assigned to the Bonds by each Rating Agency; (iii) a certificate of an Authorized Department Representative showing that the circumstances described in the certificate described in Section 2.11 will be satisfied taking into account, in calculating Annual Debt Service, the expected payments to be made by and to the Treasurer or the Trustee, as the case may be, pursuant to the agreement; and (iv) a certificate executed by an Authorized Department Representative indicating whether such agreement is being entered into as a Senior Lien Swap Agreement or a Subordinate Lien Swap Agreement.

The amounts, if any, received by the Treasurer or the Trustee pursuant to such a contract shall be applied as set forth below (to the extent required) and otherwise may be applied to the various deposits required hereunder or under any Supplemental Indenture with respect to the Bonds in question.

In the event and to the extent that amounts payable by the Treasurer under such a contract are secured in whole or in part by the Trust Estate on parity with the Bonds to which such contract relates, the Treasurer shall pay to the Trustee for deposit into the applicable Interest Account the net amount payable, if any, to the Parity Swap Agreement Counterparty as if such amounts were additional amounts of interest due on said Bonds; and the Trustee shall pay to the Parity Swap Agreement Counterparty, to the extent required under the Parity Swap Agreement, amounts deposited in the aforesaid account.

Net amounts received by the Treasurer or the Trustee from the counterparty pursuant to a Swap Agreement shall be deposited to the credit of the applicable Interest Account or, if money has been deposited to the credit of the Interest Account from a drawing pursuant to a Credit Support Instrument, to the credit of such fund or account as may have been established to hold such moneys pending reimbursement of the Credit Provider.

Unless it has received an opinion from Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income of interest on the Bonds for federal income tax purposes, once it has entered into a Swap Agreement the Treasurer will take no action the effect of which would be to either terminate the Swap Agreement in advance of its scheduled expiration date or cause the notional amount thereunder to be different from the principal amount of the then Outstanding Bonds to which such Swap Agreement relates.

ARTICLE III

REDEMPTION OF BONDS

Section 3.1. Bonds Redeemable. The Bonds of each Series issued under the provisions of Article II may be made subject to redemption either in whole or in part and at such times, prices and in such order and under such terms as may be provided by the Supplemental Indenture providing for the issuance of such Bonds. The Commission and the Department may request and the Treasurer shall provide for the redemption of Bonds from any Federal Transportation Funds available to the Department and not obligated to be used for other purposes.

Section 3.2. Selection of Bonds To Be Redeemed. If less than all the Bonds shall be called for redemption, the Bonds to be redeemed shall be selected from such Series of Bonds as the Department in consultation with the Treasurer shall determine, and, within a Series of Bonds, if less than all of the Bonds of that Series are to be redeemed, Bonds shall be selected as provided in the Supplemental Indenture under which such Bonds were issued.

Section 3.3. Notice of Redemption. Unless otherwise specified in a Supplemental Indenture, notice of redemption shall be given by the Trustee by Mail to the Registered Owner of each Bond called for redemption not less than thirty (30) nor more than sixty (60) days prior to the redemption date. Such notice of redemption shall: (i) specify the Bonds to be redeemed, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of Bonds, to be redeemed, (ii) state any condition to such redemption, (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Bonds or portions thereof to be redeemed shall cease to bear interest, and (iv) state that a new Bond of the same Series, maturing on the same date and bearing interest at the same rate and in the same principal amount as the unredeemed portion of any Bond redeemed only in part will be registered in the name of and returned to the Owner of any such Bond in exchange therefor. Such notice may set forth any additional information relating to such redemption. Notice may provide for purchase in lieu of redemption or conditional redemption as provided by a Supplemental Indenture. Notwithstanding the foregoing, a Supplemental Indenture may provide for redemption of Bonds of a Series, under certain circumstances, without notice and for the revocation of a notice and the cancellation of the redemption described therein for which notice was given as provided herein.

Neither failure to receive any such notice nor any defect in any notice so given shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Section 3.4. Effect of Call for Redemption. On the date so designated for redemption, notice having been given in the manner and under the conditions provided herein and in the Supplemental Indenture relating to such Bonds as are to be redeemed, and moneys for payment of the redemption price being held in trust to pay the redemption price, unless otherwise provided in a Supplemental Indenture, the Bonds or portions thereof so called for redemption shall become and be due and payable on the redemption date, interest thereon shall cease to accrue, such Bonds or portions thereof shall cease to be entitled to any lien, benefit or security under this Indenture and the owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Bonds which have been duly called for redemption under the provisions of this Article and for the payment of the redemption price of which moneys shall be held in trust for the Owners of the Bonds to be redeemed, all as provided in this Indenture, shall not be deemed to be Outstanding under the provisions of this Indenture.

Section 3.5. Purchase in Lieu of Redemption. Unless otherwise provided in a Supplemental Indenture, in lieu of redeeming Bonds the Treasurer shall have the option to tender to the Trustee any amount of Bonds subject to redemption which have been purchased by the Treasurer. The Treasurer may purchase such Bonds at public or private sale as and when and at such prices as the Treasurer may in his discretion determine or at the request of the Commission, provided that if the funds used to effect such purchase are funds that would have otherwise been required to be applied to the redemption of Bonds, such price shall not exceed the principal amount of such Bonds, plus interest, if any, accrued thereon to the date of purchase, plus the redemption premium, if any, that would be payable if such Bonds were being redeemed pursuant to their terms.

Section 3.6. Mandatory Tender for Repurchase. Bonds of a Series may, as provided in the Supplemental Indenture related to such Series, be made subject to mandatory tender for repurchase by or for the benefit of the Treasurer on the same dates, in the same amounts, at the same prices, upon the same notification, and subject in all respects to the same provisions as are applicable to the calling of Bonds for redemption, provided that no Bond repurchased by or on behalf of the Treasurer shall be remarketed after a period of 30 days unless the Treasurer delivers to the Trustee an opinion of Bond Counsel to the effect that such action will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on Bonds issued on a tax-exempt basis.

ARTICLE IV

REVENUES AND FUNDS

Section 4.1. Construction Fund and Certain Accounts. A special fund is hereby created and designated the “GARVEE Bonds Construction Fund” (the “Construction Fund”). Said fund shall be a subaccount of the Transportation Financing Subaccount and shall be held for and applied to such use as directed by the Commission and administered by the Department or as required by this Section 4.1 for the payment of Debt Service. The Construction Fund shall include such subaccounts as may be provided for from time to time by a Supplemental Indenture.

The Trustee shall transfer, or cause to be transferred, to the Department for credit to the Construction Fund or to a particular subaccount therein (i) the amounts from time to time required to be so credited pursuant to a Supplemental Indenture or other agreement to which the Trustee is a party and (ii) such other amounts as may be received by the Trustee from the Commission or the Department from time to time if and to the extent that the Commission or the Department, as applicable, provides written direction to the Trustee to do so.

The Trustee shall, at the direction of the Treasurer and the Department, on any date designated for payment of Debt Service in any Outstanding Obligation, withdraw from the Construction Fund and deposit to the Debt Service Fund the amount of any deficiency in the Debt Service Fund on such payment date and shall apply such amount to the payment of Debt Service on such payment date.

The Department shall withdraw money from the Construction Fund or from any particular account therein, as applicable, to pay for Construction Costs, or to reimburse the Department for Construction Costs paid by it.

Upon receipt by the Trustee from time to time of (i) a written instrument executed by an Authorized Department Representative that: (a) certifies that all Construction Projects are substantially complete, (b) specifies an amount to be retained in the Construction Fund and/or in any particular account(s) therein in order to pay, or make provision for the payment of, any additional Construction Costs, (c) directs the Trustee to apply the excess, if any, on deposit in the Construction Fund and/or any account(s) therein to the payment of Debt Service and (ii) funds in the amount of the excess indicated in clause (c) above, the Trustee shall apply such funds to the payment of Debt Service as soon as reasonably practicable.

Section 4.2 Creation of Debt Service Funds and Accounts and Rebate Fund. There are hereby created and designated, in the custody of the Trustee and in the names of the Treasurer, the Commission and the Department in subaccounts of the Special Deposit Fund in the State Treasury the following special trust accounts which shall be administered by the Trustee pursuant to the provisions of this Master Indenture:

(i) A special trust account designated the “GARVEE Bonds Senior Lien Debt Service Fund (the “Senior Lien Debt Service Fund”);

(ii) A special trust account designated the “GARVEE Bonds Subordinate Lien Debt Service Fund (the “Subordinate Lien Debt Service Fund”); and

(iii) A special trust account designated the “GARVEE Bonds Rebate Fund” (the “Rebate Fund”).

Section 4.3. Senior Lien Debt Service Fund. The Senior Lien Debt Service Fund shall be under the control of the Trustee in trust for the benefit of the Owners of the Senior Lien Bonds.

There are hereby created two separate accounts in the Senior Lien Debt Service Fund to be known as the “Senior Lien Interest Account” and the “Senior Lien Principal Account.” The Trustee and the Department in consultation with the Treasurer may create such additional accounts in the Senior Lien Debt Service Fund pursuant to a Supplemental Indenture as they deem necessary or appropriate, including, but not limited to, (i) an account into which drawings on a Credit Support Instrument are to be deposited and from which principal (including redemption price) of and interest on the Series of Senior Lien Bonds secured by such Credit Support Instrument are to be paid (and upon such payment, amounts on deposit in the Senior Lien Principal Account and Senior Lien Interest Accounts for such Senior Lien Bonds shall be used to repay the provider of the Credit Support Instrument for such payments), and (ii) an account into which payments to the Department from any Senior Lien Swap Agreement Counterparty are to be deposited and from which payments from the Department to such Senior Lien Swap Agreement Counterparty are to be paid.

There shall be deposited into the Senior Lien Debt Service Fund (i) all accrued interest received at the time of the issuance of any Senior Lien Bonds; (ii) all capitalized interest from the proceeds of a Series of Senior Lien Bonds; (iii) to the extent necessary to pay Debt Service on Senior Lien Bonds, amounts transferred to the Trustee pursuant to Section 4.6 hereof from Federal Transportation Funds; (iv) any moneys transferred to the Senior Lien Debt Service Fund from the Construction Fund pursuant to Section 4.1 hereof; (v) any moneys transferred to the Senior Lien Debt Service Fund from the Subordinate Lien Debt Service Fund pursuant to Section 4.4 hereof; (vi) moneys deposited into the Senior Lien Debt Service Fund pursuant to Section 8.4 following an Event of Default; and (vii) all other moneys received by the Trustee accompanied by directions that such moneys are to be deposited into the Senior Lien Debt Service Fund.

The moneys in the Senior Lien Interest Account and Senior Lien Principal Account shall be under the control of the Trustee in trust for the benefit of the Senior Lien Bonds, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, shall be subject to a lien and charge in favor of the Secured Owners of the Senior Lien Bonds until paid out or transferred as hereinafter provided. There shall be paid from the Senior Lien Interest Account and the Senior Lien Principal Account from time to time, the interest on and the principal of and premium on the Senior Lien Obligations as the same shall become due, except to the extent such interest, principal or premium are payable from a fund or account other than the Senior Lien Debt Service Fund as provided in any Supplemental Indenture.

Section 4.4. Subordinate Lien Debt Service Fund. The Subordinate Lien Debt Service Fund shall be under the control of the Trustee in trust for the benefit of the Owners of the Subordinate Lien Obligations.

There are hereby created two separate accounts in the Subordinate Lien Debt Service Fund to be known as the “Subordinate Lien Interest Account” and the “Subordinate Lien Principal Account.” The Trustee and the Department in consultation with the Treasurer may create such additional accounts in the Subordinate Lien Debt Service Fund pursuant to a Supplemental Indenture as they deem necessary or appropriate, including, but not limited to, (i) an account into

which drawings on a Credit Support Instrument are to be deposited and from which principal (including redemption price) of and interest on the Series of Subordinate Lien Bonds secured by such Credit Support Instrument are to be paid (and upon such payment, amounts on deposit in the Second Lien Principal Account and Subordinate Lien Interest Accounts for such Subordinate Lien Bonds shall be used to repay the provider of the Credit Support Instrument for such payments), and (ii) an account into which payments to the Department from any Subordinate Lien Swap Agreement Counterparty are to be deposited and from which payments from the Department to such Subordinate Lien Swap Agreement Counterparty are to be paid.

There shall be deposited into the Subordinate Lien Debt Service Fund (i) all accrued interest received at the time of the issuance of any Subordinate Lien Bonds; (ii) all capitalized interest from the proceeds of a Series of Subordinate Lien Bonds; (iii) to the extent necessary to pay Debt Service on Subordinate Lien Bonds, amounts transferred to the Trustee pursuant to Section 4.6 hereof from Federal Transportation Funds; (iv) any moneys transferred to the Subordinate Lien Debt Service Fund from the Construction Fund pursuant to Section 4.1 hereof; (v) moneys deposited into the Subordinate Lien Debt Service Fund pursuant to Section 8.4 following an Event of Default; and (vi) all other moneys received by the Trustee accompanied by directions that such moneys are to be deposited into the Subordinate Lien Debt Service Fund.

The moneys in the Subordinate Lien Interest Account and Subordinate Lien Principal Account shall be under the control of the Trustee in trust for the benefit of the Subordinate Lien Obligations, to the extent the foregoing are payable from such accounts, and, to said extent and pending application, shall be subject to a lien and charge in favor of the Secured Owners of the Subordinate Lien Obligations until paid out or transferred as hereinafter provided. There shall be paid from the Subordinate Lien Interest Account and the Subordinate Lien Principal Account from time to time the interest on and the principal of and premium on the Subordinate Lien Obligations as the same shall become due, except to the extent such interest, principal or premium are payable from a fund or account other than the Subordinate Lien Debt Service Fund as provided in any Supplemental Indenture.

The Trustee shall, on any date designated for the payment of Debt Service on any Outstanding Senior Lien Obligations, withdraw from the Subordinate Lien Debt Service Fund and deposit to the Senior Lien Debt Service Fund the amount of any deficiency in the Senior Lien Debt Service Fund on such payment date and shall apply such amount to the payment of Debt Service on Outstanding Senior Lien Obligations on such payment date. Such withdrawal shall be made prior to any similar withdrawal from the Construction Fund hereunder.

Section 4.5. Rebate Fund. The Rebate Fund shall not constitute part of the Trust Estate. The Department covenants to calculate and to direct the Trustee to deposit, or cause the deposit of, in the Rebate Fund amounts held in any fund hereunder for any or all Series of Bonds (which direction shall specify the procedures for collection and payment of amounts due in respect of arbitrage rebate as directed by Bond Counsel in the Tax Certificate or otherwise) all amounts due for payment of “arbitrage rebate” under Section 148(a) of the Code with respect to any Bonds. On or before the last Business Day of the month in which the Trustee receives a written direction from an Authorized Department Representative to do so, after first having made the deposits provided for by Sections 4.3 and 4.4, the Trustee shall withdraw, or cause to be withdrawn, from any fund other than the Senior Lien Debt Service Fund or Subordinate Lien Debt Service Fund and deposit, or cause to be deposited, in the Rebate Fund the amount so directed. Amounts on deposit in the Rebate Fund may be used solely to make payments to the United States under Section 148 of

the Code. Upon satisfaction of the Commission's covenants described above, any amounts remaining in the Rebate Fund shall be deposited in the Senior Lien Debt Service Fund or Subordinate Lien Debt Service Fund, as applicable.

Section 4.6 Administrative Expense Fund. A special fund is hereby created and designated the "GARVEE Bonds Administrative Expense Fund" (the "Administrative Expense Fund"). The Administrative Expense Fund shall be a subaccount of the Transportation Financing Subaccount and shall be under the control of the Trustee, but it shall not constitute part of the Trust Estate. After first having made or provided for the deposits required by Sections 4.3 and 4.4, the Trustee shall deposit, or cause to be deposited from Federal Transportation Funds received by it from or on behalf of the Department, in the Administrative Expense Fund such amount as may be specified in a certificate executed by an Authorized Department Representative.

Moneys on deposit in the Administrative Expense Fund shall be applied from time to time pursuant to the written direction of an Authorized Department Representative to the payment of Administrative Expenses.

Section 4.7. Application of Federal Transportation Funds. The assignment and pledge of Federal Transportation Funds to the Trustee for the benefit of the Owners of the Bonds under this Master Indenture is intended to and shall constitute a first lien on such Federal Transportation Funds received by the State. All Federal Transportation Funds received by the State shall be subject to the assignment and lien hereof upon receipt thereof by the Commission, the Department or the Trustee, as applicable.

Amounts received by the Department or the Trustee pursuant to this Section and Sections 4.3 and 4.4 shall be deposited and used only in the manner and order of priority specified below.

(a) Deposits shall be made into the Senior Lien Debt Service Fund and Subordinate Lien Debt Service Fund as set forth in this Section and in Sections 4.3 and 4.4, as applicable. Amounts on deposit in any account of either of the Senior Lien Debt Service Fund or the Subordinate Lien Debt Service Fund shall be used only to pay Annual Debt Service and the redemption price on Obligations and for the purposes permitted by Section 4.5 hereof.

(b) Federal Transportation Funds shall be deposited, as necessary, in the Rebate Fund as required by Section 4.5 hereof.

(c) Federal Transportation Funds may be used to pay or provide for debt service or any other obligations without a lien on Federal Transportation Funds equal to the lien thereon of the Bonds.

(d) Subject to the preceding paragraphs of this Section and the Granting Clause hereof, Federal Transportation Funds shall be released free and clear of the lien of this Indenture, if and to the extent (i) not required for current Annual Debt Service, or (ii) as provided in a certificate executed by an Authorized Department Representative, not reasonably expected to be needed for any subsequent Annual Debt Service.

(e) Except as required by this Section and for amounts held for payment of Bonds not then deemed Outstanding, Federal Transportation Funds need not be retained for any use or in any account described in this Section or this Indenture in excess of the Federal Transportation Funds

required for current Annual Debt Service if and to the extent such amounts are not expected to be needed for any subsequent Annual Debt Service.

Section 4.8. Moneys Held by Paying Agents in Trust; Unclaimed. All moneys which shall have been withdrawn from the Debt Service Fund and set aside by the Trustee or deposited with a Paying Agent for the purpose of paying any of the Bonds hereby secured, either at the maturity thereof or upon call for redemption, shall be held in trust for the respective Owners of such Bonds; and such funds shall be held uninvested or in Government Obligations with a maturity not later than the date on which funds will be needed to make payments on the Bonds, provided that the Paying Agent shall not be required to invest such funds if to do so would, in the judgment of the Paying Agent, adversely affect the ability of the Paying Agent to make timely payment to the Bondholders. Any earnings on such funds not required to be rebated to the United States shall be deposited in the Debt Service Fund as directed by the Department in consultation with the Treasurer. But, to the maximum extent permitted by law, any moneys which shall be so set aside or deposited and which shall remain unclaimed by the Bondholders of such Bonds for a period of two (2) years after the date on which such Bonds shall have become due and payable shall be paid to the Treasurer, and thereafter the Bondholders of such Bonds shall look only to the Treasurer for payment; and the Treasurer shall be obligated to make such payment, but only to the extent of the amounts so received pursuant to this Section without any interest thereon and not from the Trust Estate, and the Paying Agents shall have no responsibility with respect to any of such moneys.

Section 4.9. Additional Funds and Accounts. The Department in consultation with the Treasurer and the Department of Finance may, by Supplemental Indenture, create additional funds and accounts under this Indenture and for such purposes as the Department deems appropriate, including separate funds available only for specified Bonds or Series of Bonds. However, the Federal Transportation Funds shall, in all events, first be used to make the deposits set forth in Sections 4.3 through 4.7 hereof before any amounts of Federal Transportation Funds are used to fund any other funds or accounts.

Section 4.10. Trust Estate Security; Additional Security. Except as otherwise provided or permitted herein, the Trust Estate securing (i) Senior Lien Obligations, shall be shared on a parity with other Senior Lien Obligations on an equal and ratable basis, and (ii) Subordinate Lien Obligations, shall be shared on a parity with other Subordinate Lien Obligations on an equal and ratable basis but subordinate and junior to the lien on, pledge of and security in the Trust Estate for the benefit of the Owners of the Senior Lien Obligations. The Commission may, however, in its discretion, provide Additional Security, but it shall have no obligation to provide Additional Security. No Additional Security shall be provided unless there shall have been first delivered to the Trustee an opinion of Bond Counsel that the exclusion from gross income of interest on any Bond for federal income tax purposes will not be adversely affected thereby.

ARTICLE V

COVENANTS AND REPRESENTATIONS OF THE DEPARTMENT AND COMMISSION

Section 5.1. Punctual Payment and Performance. The Department covenants and agrees that it will duly and punctually pay or cause to be paid, but solely from the Trust Estate, the principal of, premium, if any, and interest on every Obligation at the place and on the dates and in the manner specified herein and in the Obligations, according to the true intent and meaning

thereof, and that it will faithfully do and perform all covenants and agreements contained herein and in the Obligations, provided that the Department's obligation to make payment of the principal of, premium, if any, and interest on the Obligations shall be limited to payment from the Trust Estate, and no Secured Owner shall have any right to force payment from any other funds of the Commission or the Department.

Section 5.2. Federal Aid Agreements. The Department covenants and agrees that it shall comply with the obligations imposed upon the Department under and pursuant to the Federal Aid Agreements. The Department covenants and agrees that it will not authorize or permit any amendment to any Federal Aid Agreement that would have a material adverse impact on its receipt or the Department's receipt of Federal Transportation Funds.

Section 5.3. Payment of Lawful Charges. The Department covenants and agrees that, except as otherwise permitted herein, it will not create or suffer to be created any lien or charge upon the Trust Estate except the lien and charge of the Obligations, and that it will promptly pay or cause to be discharged, or will make adequate provision to satisfy and discharge, all lawful claims and demands that, if unpaid, might by law become a lien upon the Trust Estate (other than an Obligation), provided that nothing in this Section shall require the Department to pay or cause to be discharged, or make provision for, any such lien or charge so long as the validity thereof shall be contested in good faith or to make any payment other than from Federal Transportation Funds.

Section 5.4. Further Assurances. The Department covenants and agrees that it will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Secured Owners of the rights and benefits provided herein.

Section 5.5. Commission Representations. The Commission further represents, covenants and warrants as indicated herein that:

(a) The execution, delivery and performance of this Master Indenture by the Commission is authorized by the Act and, upon the execution and delivery of this Master Indenture by the Department and the Treasurer, and the agreement with, acknowledgment and approval thereof and consent thereto by the Trustee, this Master Indenture will be enforceable against the Commission in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(b) The execution, delivery and performance of its obligations under this Master Indenture by the Commission do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Commission is now a party or by which the Commission is bound, or constitute a default under any of the foregoing, or, except as specifically provided in this Master Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Commission.

(c) There is no litigation or proceeding pending or threatened against the Commission or any other Person affecting the right of the Commission to execute, deliver or perform its respective obligations under this Master Indenture.

Section 5.6 Treasurer Covenants. The Treasurer represents, covenants and warrants that:

(a) The execution, delivery and performance of this Master Indenture by the Treasurer is authorized by the Act and, upon the execution and delivery of this Master Indenture by the Department and the Commission, and the agreement with, acknowledgment and approval thereof and consent thereto by the Trustee, this Master Indenture will be enforceable against the Treasurer in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(b) The execution, delivery and performance of its obligations under this Master Indenture by the Treasurer do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Treasurer is now a party or by which the Treasurer is bound, or constitute a default under any of the foregoing, or, except as specifically provided in this Master Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Treasurer.

Section 5.7. Department Covenants. The Department represents, covenants and warrants that:

(a) The execution, delivery and performance of this Master Indenture by the Department is authorized by the Act and, upon the execution and delivery of this Master Indenture by the Commission and the Treasurer, and the agreement with, acknowledgment and approval thereof and consent thereto by the Trustee, this Master Indenture will be enforceable against the Department in accordance with its terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(b) The execution, delivery and performance of its obligations under this Master Indenture by the Department do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Department is now a party or by which the Department is bound, or constitute a default under any of the foregoing, or, except as specifically provided in this Master Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Department.

(c) There is no litigation or proceeding pending or threatened against the Department or any other Person affecting the right of the Department to execute, deliver or perform its respective obligations under this Master Indenture.

(d) The Department is the State agency authorized by federal law to receive Federal Transportation Funds payable to the State from FHWA.

(e) The execution, delivery and performance of the Federal Aid Agreements by the Department is authorized by State law and, upon execution and delivery of the Federal Aid Agreements by FHWA, the Federal Aid Agreements are and will be enforceable against the Department (and the Department knows of no reason such Federal Aid Agreements would not be enforceable against FHWA) in accordance with their respective terms, limited only by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights generally, by equitable principles, whether considered at law or in equity, by the exercise by the State and its governmental bodies of the police power inherent in the sovereignty of the State and by the exercise by the United States of the powers delegated to it by the Constitution of the United States.

(f) The execution, delivery and performance of its obligations under this Master Indenture and the Federal Aid Agreements by the Department, do not and will not conflict with or result in violation or a breach of any law or the terms, conditions or provisions of any restriction or any agreement or instrument to which the Department is now a party or by which the Department is bound, or constitute a default under any of the foregoing, or, except as specifically provided in this Master Indenture, result in the creation or imposition of any lien or encumbrance whatsoever upon any of the property or assets of the Department.

(g) The Department will comply with its obligations under the Federal Aid Agreements, and will take all other actions required to maintain the Federal Aid Agreements in full force and effect. The Department has complied with all current provisions of the Federal Aid Authorization and of other laws applicable to the Department that are necessary in order for the Department to receive and continue to receive an amount of Federal Transportation Funds that both (i) may be used pursuant to the Federal Aid Authorization to pay debt service on the Bonds and (ii) are sufficient to pay debt service when due during the term of the existing Federal Aid Authorization.

(h) The Department shall comply with and satisfy all requirements which may be imposed by the Federal Highway Administration that are necessary to continue to receive Federal Transportation Funds under the Federal Aid Authorization in amounts sufficient to pay all Debt Service when due (less amounts of debt service paid from other sources).

(i) The Department will take all action necessary to ensure that (i) each Project at all times qualifies as a Qualified Federal Transportation Project; (ii) each Project that may be financed, in whole or in part, with Federal Transportation Funds paid pursuant to the Federal Aid Authorization, at all times qualifies as a project with respect to which the Department is entitled to reimbursement of previously-expended funds under 23 U.S.C. § 115, as amended, and the regulations promulgated thereunder; and (iii) Federal Aid Agreements are maintained in full force and effect pursuant to which FHWA has agreed to make payments of Federal Transportation Funds in an amount at least equal to the Annual Debt Service as such becomes due. Such action shall include, but shall not be limited to (A) entering into any modification of a Federal Aid Agreement required to assure that Federal Transportation Funds payable thereunder are payable with respect to any Refunding Bonds; and (B) the repayment to FHWA, from moneys other than moneys included in the Trust Estate, of any Federal Transportation Funds paid pursuant to a Federal Aid Agreement during any period in which the Project did not qualify under clause (i) or (ii) of this subsection.

(j) There is no litigation or proceeding pending or threatened against the Department or any other Person affecting the right of the Department to execute, deliver or perform their respective obligations under this Master Indenture or the Federal Aid Agreements.

(k) The amount of funds borrowed pursuant to each Supplemental Indenture will not exceed the sum of (i) the cost of the Projects to be financed and (ii) an amount necessary to pay any applicable Costs.

(l) So long as Bonds are Outstanding, the pledge by the Commission and the Department of the Federal Transportation Funds received by the Commission, the Department or the Trustee for the payment of Annual Debt Service and Costs shall be irrevocable until all Annual Debt Service and Costs have been paid in full.

(m) The portion of the Federal Transportation Funds necessary to pay Annual Debt Service and Construction Costs, as and when due, shall neither be budgeted nor expended to pay current or anticipated operational or other expenses of the Department (other than Annual Debt Service and Construction Costs).

(n) The Department will annually apply for and reasonably cooperate with FHWA in order to receive the greatest amount of Federal Transportation Funds reasonably available to the Department for payment of the Annual Debt Service and Construction Costs.

(o) The payment of Federal Transportation Funds to the Trustee for the payment of Bond Payments is unconditional and neither the Commission nor the Department is entitled to offset any such payment as a result of the failure to perform by any contractor of any of its obligations relating to the Projects or for any other reason.

(p) Not later than seven (7) Business Days following the beginning of each Federal Fiscal Year while Bonds are Outstanding, the Department will make a request of FHWA, with copies to the Treasurer and the Trustee, to obligate Obligation Authority sufficient to pay the Annual Debt Service coming due in the current Federal Fiscal Year (prorated for any period which is less than one year) prior to obligating Federal Transportation Funds for any other purpose coming due in that Federal Fiscal Year. In each Federal Fiscal Year, the Department will obligate (to the extent not previously obligated) and draw Federal Transportation Funds to make Annual Debt Service payments coming due in that Fiscal Year. The Department will not take any action that would result in, or fail to take any action that would prevent, the reduction or withdrawal of such Obligation Authority and will not de-obligate any such Federal Transportation Funds to the extent needed to make Annual Debt Service payments coming due in that Fiscal Year.

Without limiting the generality of the foregoing, the Department covenants that it shall take all actions required of it under the Federal Aid Authorization necessary to convert any Construction Project which is an advanced construction project under the Federal Aid Authorization to a regular federal aid project in an amount sufficient to obligate Federal Transportation Funds in the amount required by the prior paragraph.

(n) The Department covenants that all Bonds are, or will be, eligible debt financing instruments under Federal Aid Authorization and the payment of Annual Debt Service and Construction Costs are all eligible for payment or reimbursement from Federal Transportation Funds.

(o) The Department covenants that upon completion of construction for each Project, the Department will take all steps necessary to obtain any required approval of FHWA of such Project.

(p) The Department covenants that the Director is the official of the State authorized by law to receive Federal Transportation Funds available to the Department for the Projects and to receive other amounts of Obligation Authority allocated or apportioned to the State and other United States Government funds available to the State for the Department to carry out its programs, duties or services and the Director has applied for and received and will continue to receive, Federal Transportation Funds.

(q) The Department covenants that no state agency or department of the State is entitled to receive Federal Transportation Funds, other than the Department.

(r) The Department shall at all times comply with the Act and the provisions of Federal Aid Authorization, the regulations promulgated thereunder, all other federal laws and regulations, the State Constitution and all other State laws relating to the Bonds, the Projects and the subject matter of this Master Indenture and each Supplemental Indenture.

(s) The Department covenants that it shall provide written notice to the Commission, the Treasurer and the Trustee of each withdrawal from the Construction Fund, such notice to identify the amount of such withdrawal, the purpose for the withdrawal and the person or entity to whom such withdrawal was paid. The Department covenants further that it shall not apply proceeds of Bonds in a manner that would cause any limitation contained in the Act to be exceeded. At any and all times the Department shall, as far as it may be authorized by law comply with any reasonable request of the Trustee or of the Owners of at least twenty-five percent (25%) of the principal amount of the Outstanding Bonds, to pass, make, do, execute, acknowledge and deliver, all and every further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, pledging and confirming all and singular the rights, moneys, securities and funds hereby pledged, or intended so to be pledged.

Section 5.8 Continuing Disclosure. The Department and the Treasurer covenant and agree that they will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Department or the Treasurer to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however any Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Department or the Treasurer, as the case may be, to comply with its obligations under this Section.

ARTICLE VI

INVESTMENTS

Moneys held in the funds and accounts created under this Indenture shall be invested and reinvested in Permitted Investments as directed by an Authorized Department Representative, in consultation with the Department of Finance and the Treasurer, subject to the restrictions set forth in this Article and in any Supplemental Indenture and subject to the investment restrictions imposed by the laws of the State. An Authorized Department Representative shall direct the Trustee with respect to the investment of moneys held by the Trustee by written certificate or by

telephone instruction followed by prompt written confirmation. If an Authorized Department Representative fails to direct the investment of moneys as required by this Section, the Trustee shall invest such moneys held by it in Permitted Investments, and the Trustee shall be under no obligation to determine or inquire into the legality of any investment made at the direction of an Authorized Department Representative.

Except as otherwise provided herein or in a Supplemental Indenture, (i) investments of moneys in any fund or account shall be deemed at all times to be a part of such fund or account and shall be valued at the cost thereof, (ii) the interest accruing on and any profit realized from investment of moneys in any fund or account shall be credited to that fund or account. Notwithstanding the foregoing, if and to the extent so directed by an Authorized Department Representative, the interest accruing on and any profit realized from the investment of moneys in any fund or account, other than the Senior Lien Debt Service Fund or Subordinate Lien Debt Service Fund, shall be credited to the Rebate Fund.

The Trustee shall furnish to the Commission and the Department monthly cash transaction statements which describe all investment transactions made by the Trustee pursuant to this Indenture, provided that, so long as the Treasurer is the Trustee, the Trustee shall maintain and furnish only such records with respect to any and all moneys or investments held by the Trustee under this Indenture as it maintains in its normal course of business. The Trustee, its parent, or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under this Indenture.

ARTICLE VII

DEFEASANCE

Bonds or portions thereof (such portions to be in integral multiples of the applicable authorized denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of this Indenture except for the purposes of payment from moneys or Government Obligations held by the Trustee or a Paying Agent for such purpose. When all Obligations have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the Department, including all necessary and proper fees, compensation and expenses of the Trustee, the Registrar and the Paying Agent and all other Administrative Expenses, have been paid or are duly provided for, then the right, title and interest of the Trustee in and to the Trust Estate shall thereupon cease, terminate and become void, and thereupon the Trustee shall cancel, discharge and release this Indenture, shall execute, acknowledge and deliver to the Department such instruments of satisfaction and discharge or release as shall be requisite to evidence such release and such satisfaction and discharge and shall assign and deliver to the Department any property and Federal Transportation Funds at the time subject to this Indenture which may then be in the Trustee's possession, except funds or securities in which such funds are invested and held by the Trustee or the Paying Agents for payment of the principal of, premium, if any, and interest on Obligations.

A Bond shall be deemed to be paid within the meaning of this Article and for all purposes of this Indenture when payment of the principal, interest and premium, if any, either (i) shall have been made or caused to be made in accordance with the term of the Bond and this Indenture or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment, (a) moneys sufficient to make such payment and/or

(b) non-callable, non-prepayable Government Obligations maturing as to principal and interest in such amounts and at such times as will insure the availability of sufficient moneys (as calculated by an independent certified public accountant or firm of independent certified public accountants selected by the Treasurer) to make such payment. At such times as Bonds shall be deemed to be paid hereunder, such Bonds shall no longer be secured by or entitled to the benefits of this Indenture, except for the purposes of payment from such moneys or Government Obligations.

Notwithstanding the foregoing paragraph, no deposit made pursuant to the immediately preceding paragraph shall be deemed a payment of such Bonds until (a) proper notice of redemption of such Bonds shall have been given in accordance with Section 3.3, or in the event such Bonds are not to be redeemed within the next succeeding 60 days, until the Treasurer shall have given the Trustee irrevocable instructions to notify, as soon as practicable, the Bondholders of the Bonds in accordance with Section 3.3, that the deposit required by the preceding paragraph above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on such Bonds; or (b) the maturity of such Bonds. Moreover, no Bond which is subject to optional or mandatory tender in accordance with the provisions of the Supplemental Indenture pursuant to which such Bond was issued shall be deemed to be paid within the meaning of this Indenture unless arrangements shall have been made to assure that such Bond, if tendered for purchase in accordance with the provisions of the applicable Supplemental Indenture, can be paid or redeemed from such moneys or Government Obligations as are provided pursuant to this Article.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.1. Events of Default. Each of the following events shall constitute and is referred to in this Indenture as an “Event of Default”:

(a) a failure to pay the principal or the purchase price of or premium, if any, on any of the Bonds when the same shall become due and payable;

(b) a failure to pay any installment of interest on any of the Bonds when such interest shall become due and payable;

(c) a failure of the Department to make the request of Obligation Authority required by Section 5.5(n) in the time provided therein;

(d) a failure by the Commission or the Department to observe and perform any covenant, condition, agreement or provision (other than as specified in paragraphs (a), (b) or (c) of this Section 8.1) contained in any of the Bonds or in this Indenture on the part of the Commission or Department to be observed or performed, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the Commission or Department by the Trustee; or

(e) the occurrence of any other Event of Default as is provided in a Supplemental Indenture.

In determining whether a payment of principal of or interest on Bonds has been made for purposes of this Section, no effect shall be given to any payment made by a Credit Provider unless the Trustee holds funds sufficient in amount to immediately reimburse the Credit Provider for such payment. If, on any date on which payment of principal or purchase price of, premium, if any, or interest on Bonds is due, sufficient moneys are not available to make such payment, the Trustee shall give notice of such insufficiency to the Treasurer, the Commission, the Department and to any Credit Providers whose Credit Instrument is applicable to such Bonds by facsimile transmission and in writing immediately thereafter.

Section 8.2. Remedies. Upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may (but not in any manner contrary to the written direction of the Owners of not less than a majority of the principal amount of the Bonds then Outstanding), and upon the written direction of the Owners of not less than a majority of the principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction, shall proceed to protect and enforce Bondholder rights by such appropriate judicial proceeding as the Trustee shall deem most effectual to protect and enforce any such right, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained in this Indenture or any Supplemental Indenture, or in aid of the exercise of any power granted in this Indenture or any Supplemental Indenture, or to enforce any other legal or equitable right vested in the Bondholders by this Indenture, any Supplemental Indenture, the Bonds or law. The provisions of this Indenture shall constitute a contract with each and every Bondholder, and the duties of the Department, the Treasurer and the Commission shall be enforceable by the Trustee on behalf of any Bondholder by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction.

The Trustee shall be under no obligation to take any action with respect to any Event of Default unless the Trustee has actual knowledge of the occurrence of such Event of Default.

Section 8.3. No Waiver of Remedies. No delay or omission of the Trustee or of any Secured Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default, or an acquiescence therein: and every power and remedy given by this Article to the Trustee and to the Owners, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 8.4. Application of Moneys. If at any time the moneys in the Senior Lien Debt Service Fund or the Subordinate Lien Debt Service Fund, and other funds established by this Indenture shall not be sufficient to pay the principal of or the interest on any Obligations as the same become due and payable, such moneys, together with all Federal Transportation Funds and any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied in the following order:

- (i) *First*, to the reasonable and proper charges of the Trustee;
- (ii) *Then*, to the interest and principal and redemption price, if any, then due on Senior Lien Obligations, as follows:
 - First: To the payment of all installments of interest then due on the Senior Lien Obligations, in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments

due on the same date, then to the payment thereof ratably, according to the amounts due, to the Persons entitled to such payments, without any discrimination or preference; and

Second: To the payment of the unpaid principal or redemption price of any Senior Lien Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all of the Senior Lien Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal and redemption price due on such date, to the Persons entitled thereto, without any discrimination or preference.

(iii) *Then*, to the interest and principal and redemption price, if any, then due on the Subordinate Lien Obligations, as follows:

First: To the payment of all installments of interest then due on the Subordinate Lien Obligations, in the order of maturity of such installments, and, if the amount available shall not be sufficient to pay in full any such installment or installments due on the same date, then to the payment thereof ratably, according to the amounts due, to the Persons entitled to such payments, without any discrimination or preference; and

Second: To the payment of the unpaid principal or redemption price of any Subordinate Lien Obligations which shall have become due, whether at maturity or by call for redemption, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full all of the Subordinate Lien Obligations due on any date, then to the payment thereof ratably, according to the amounts of principal and redemption price due on such date, to the Persons entitled thereto, without any discrimination or preference.

Provided, however, that amounts on deposit in a fund or account (i) dedicated to the payment or security of the Senior Lien Obligations, or (ii) constituting Additional Security for the benefit of one or more specific Series of Obligations shall be used only for the purpose for which such deposits were made.

If and when all overdue installments of interest, principal and redemption price of the Obligations, together with the reasonable and proper charges of the Trustee shall either be paid, or provision satisfactory to the Trustee shall be made for such payment, and all defaults under the Indenture or the Bonds or any Credit Support Agreement and all other agreements, instruments or notes evidencing Obligations shall be made good or secured to the satisfaction of the Trustee, or provision deemed by the Trustee to be adequate shall have been made, all Federal Transportation Funds shall thereafter be applied as provided in Article IV of this Indenture. No such resumption of the application of Federal Transportation Funds shall extend to or affect any subsequent default under the Bonds, the Indenture, any Credit Support Agreement and all agreements, instruments or notes evidencing Obligations hereunder, or impair any right consequent thereon.

Section 8.5. Severability of Remedies. It is the purpose and intention of this Article to provide rights and remedies to the Trustee and the Owners which may be lawfully granted under the provisions of the Act, and other applicable law, but should any right or remedy herein granted

be held to be unlawful, the Trustee and the Owners shall be entitled, as above set forth, to every other right and remedy provided in this Indenture and by applicable law.

ARTICLE IX

TRUSTEE, PAYING AGENT AND CO-PAYING AGENTS; REGISTRAR

Section 9.1. Acceptance of Trusts. The Trustee hereby accepts and agrees to execute the trusts specifically imposed upon it by this Indenture, but only upon the additional terms set forth in this Article, to all of which the Commission and Department agree and the respective Secured Owners agree by their acceptance of delivery of any of the Bonds.

Section 9.2. Duties of Trustee. If an Event of Default has occurred and is continuing, the Trustee shall exercise its rights and powers and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Except during the continuance of an Event of Default,

(i) the Trustee need perform only those duties that are specifically set forth in this Indenture and no others, and

(ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether they conform to the requirements of this Indenture.

The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(i) this paragraph does not limit the effect of the preceding paragraph of this Section;

(ii) the Trustee shall not be liable for any error of judgment made in good faith by a Responsible Officer unless it is proved that the Trustee was negligent in ascertaining the pertinent facts;

(iii) the Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it from Secured Owners, the Treasurer or the Department in the manner provided in this Indenture; and

(iv) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Every provision of this Indenture that in any way relates to the Trustee is subject to all the paragraphs of this Section. The Trustee may, unless such right is restricted by Supplemental Indenture, refuse to perform any duty or exercise any right or power unless it receives indemnity satisfactory to it against any loss, liability or expense. The Trustee shall not be liable for interest on any cash held by it except as the Trustee may agree with the Department and the Treasurer.

Section 9.3. Rights of Trustee. Subject to the foregoing Section the Trustee may rely on any document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter stated in the document. Before the Trustee acts or refrains from acting, it may require a certificate of an Authorized Department Representative or a written opinion of counsel (who may be counsel of or to the Commission). The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on the certificate or the opinion of counsel. The Trustee may act through agents or co-trustees and shall not be responsible for the misconduct or negligence of any agent or co trustee which has been appointed with due care and approved by the Treasurer and the Department.

Section 9.4. Individual Rights of Trustee. The Trustee in its individual or any other capacity may become the owner or pledgee of Bonds and may otherwise deal with the Department with the same rights it would have if it were not Trustee. Any paying agent or other agent may do the same with like rights.

Section 9.5. Trustee's Disclaimer. The Trustee makes no representation as to the validity or adequacy of this Indenture or the Bonds, it shall not be accountable for the Commission's or Department's use of the proceeds from the Bonds paid to the Department and it shall not be responsible for any statement in the Bonds other than its certificate of authentication. The Trustee shall have no responsibility or liability with respect to any information, statements or recitals in any official statement, offering memorandum or other disclosure material prepared or distributed in connection with the issuance of Bonds.

Section 9.6. Notice of Defaults. If an event occurs which with the giving of notice or lapse of time or both would be an Event of Default, and if the event is continuing and is actually known to the Trustee, the Trustee shall mail to each Secured Owner with respect to which such Event of Default pertains notice of the event within 30 days after the Trustee acquires actual knowledge thereof. Except in the case of a default in payment or purchase on any Bonds, the Trustee may withhold the notice to Secured Owners other than Credit Providers if and so long as a committee of its Responsible Officers in good faith determines that withholding the notice is in the interests of the affected Secured Owners.

Section 9.7. Compensation of Trustee. For acting under this Indenture, the Trustee shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with its services under this Indenture, in accordance with (i) the practices of the State Treasurer's Office if the Treasurer is the Trustee and (ii) a written proposal approved by the Department in consultation with the Treasurer from time to time if the Treasurer is not the Trustee.

Section 9.8. Eligibility of Trustee. This Indenture shall always have a Trustee that is either (i) a corporation with trust powers, a trust company or a bank having the powers of a trust company and is organized and doing business under the laws of the United States or any state or the District of Columbia, is subject to supervision or examination by United States, state or District

of Columbia authority and has a combined capital and surplus of at least \$75,000,000 as set forth in its most recent published annual report of condition or (ii) the Treasurer.

Section 9.9 Replacement of Trustee. The Trustee may resign by notifying the Department, the Treasurer and each Credit Provider in writing at least 60 days prior to the proposed effective date of the resignation. The Owners of a majority of the principal amount of the Bonds may remove the Trustee upon 45 days' prior written notice to the Trustee and the Department and Treasurer. The Department in consultation with the Treasurer may remove the Trustee at any time and with or without cause by notice in writing delivered to the Trustee 60 days prior to the proposed removal date; provided, however, that the Department shall have no right (i) to remove the Trustee during any time when an Event of Default has occurred and is continuing or (ii) if the Treasurer is the Trustee, to remove the Trustee without the consent of the Treasurer.

No resignation or removal of the Trustee under this Section shall be effective until a new Trustee has taken office.

If the Trustee resigns or is removed or for any reason is unable or unwilling to perform its duties under this Indenture, the Department in consultation with the Treasurer shall promptly appoint a successor Trustee selected by the Treasurer and give notice thereof to each Credit Provider.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Department and Treasurer. Immediately thereafter, the retiring Trustee shall transfer, in strict compliance with the terms thereof, all property held by it as Trustee to the successor Trustee (including, but not limited to, any Credit Support Instrument then in effect), and the resignation or removal of the retiring Trustee shall then (but only then) become effective and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture.

If a Trustee is not performing its duties hereunder and a successor Trustee does not take office within 60 days after the retiring Trustee delivers notice of resignation or the Department and Treasurer delivers notice of removal, the retiring Trustee, the Department and Treasurer or the Bondholders of a majority of the principal amount of the Bonds may petition any court of competent jurisdiction for the appointment of a successor Trustee.

Section 9.10. Successor Trustee or Agent by Merger. If the Trustee, any Paying Agent or Registrar consolidates with, merges or converts into, or transfers all or substantially all its assets (or, in the case of a bank or trust company, its corporate trust assets) to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Trustee, Paying Agent or Registrar.

Section 9.11. Paying Agent. The Department in consultation with the Treasurer may at any time or from time to time appoint a Paying Agent or Paying Agents for the Bonds or for any Series of Bonds, and each Paying Agent, if other than the Trustee, shall designate to the Department, the Treasurer and the Trustee its Principal Office and signify its acceptance of the duties and obligations imposed upon it hereunder or under a Supplemental Indenture by a written instrument of acceptance delivered to the Department and Treasurer under which each such Paying Agent will agree, particularly:

(d) to hold all sums held by it for the payment of the principal of, premium or interest on Bonds in trust for the benefit of the Bondholders until such sums shall be paid to such Bondholders or otherwise disposed of as herein provided;

(e) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Department and the Trustee at all reasonable times; and

(f) upon the request of the Trustee, to forthwith deliver to the Trustee all sums so held in trust by such Paying Agent.

The Trustee is hereby appointed as a Paying Agent for the Bonds.

Section 9.12. Registrar. The Department in consultation with the Treasurer shall appoint the Registrar for the Bonds or a Registrar for any Series of Bonds and may from time to time remove a Registrar and name a replacement. The Trustee is hereby appointed as the initial Registrar for the Bonds. Each Registrar, if other than the Trustee, shall designate to the Treasurer, the Trustee, the Paying Agent, and the Department and Treasurer its Principal Office and signify its acceptance of the duties imposed upon it hereunder or under a Supplemental Indenture by a written instrument of acceptance delivered to the Department and Treasurer and the Trustee under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Treasurer, the Department, the Trustee, and the Paying Agent at all reasonable times.

Section 9.13. Other Agents. Except to the extent otherwise specified in this Section, and except also to the extent otherwise specified by the Treasurer, so long as the Treasurer is the Trustee, the Department shall be the agent of the Treasurer for purposes of (a) transferring money to and from the funds and accounts established pursuant to this Indenture that are identified herein as being under the control of the Trustee, (b) calculating the amounts required to be maintained in such funds and accounts and (c) preparing accounting statements with respect thereto, provided that the Department shall not be the agent of the Treasurer for purposes of investing the amounts on deposit in any of said funds and accounts or for making any payments to Bondholders. The Department in consultation with the Treasurer or the Trustee may from time to time appoint agents in addition to the Department to perform duties and obligations under this Indenture or under a Supplemental Indenture, which agents may include, but not be limited to, co-trustees, tender agents, remarketing agents, auction agents and authenticating agents all as provided by Supplemental Indenture or resolution of the Commission. No appointment made by the Trustee pursuant to the provisions of this Section shall be effective until approved by the Department in consultation with the Treasurer as evidenced by a written certificate executed by an Authorized Department Representative, provided that no such approval shall be required in the case of the appointment of a co-trustee by the Treasurer while the Treasurer is the Trustee.

Section 9.14. Several Capacities. Anything in this Indenture to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, Paying Agent, Registrar and any other agent as appointed by the Department in consultation with the Treasurer to perform duties or obligations under this Indenture, under a Supplemental Indenture or an escrow agreement, or in any combination of such capacities, to the extent permitted by law.

Section 9.15. Accounting Records and Reports of the Trustee. The Trustee shall at all times keep, or cause to be kept, proper books of record and account in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Revenues and all funds and accounts held by the Trustee pursuant to this Indenture. Such books of record and account shall be available for inspection by the Department and Treasurer and any Secured Owner, or his agent or representative duly authorized in writing, at reasonable hours and under reasonable circumstances.

The Trustee shall provide to the Department (and to the Commission if the Commission so requests) each month a monthly report of Federal Transportation Funds received, amounts deposited into each fund and account held by the Trustee under this Indenture, the investments made by the Trustee pursuant to this Indenture, the amount disbursed from such funds and accounts and the balance in each of such funds and accounts.

The Trustee shall annually file and furnish to the Department, the Commission, the Department of Finance and to each Secured Owner who shall have filed his name and address with the Trustee for such purpose (at such Secured Owner's cost) and the Treasurer a complete financial statement (which need not be audited) covering receipts, disbursements, allocation and application of Federal Transportation Funds and any other moneys in any of the funds and accounts established pursuant to this Indenture for the preceding Fiscal Year.

Any other provision of this Section to the contrary notwithstanding, so long as the State Treasurer is the Trustee, the Trustee shall maintain and provide only such records with respect to any and all moneys or investments held by the Trustee under this Indenture as it maintains in its normal course of business.

ARTICLE X

MODIFICATION OF THIS INDENTURE

Section 10.1. Limitations. This Indenture shall not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of this Article.

Section 10.2. Supplemental Indentures Not Requiring Consent of Bondholders. The Commission, the Treasurer and the Department may, from time to time and at any time, without the consent of or notice to the Bondholders execute and deliver Supplemental Indentures supplementing and/or amending this Indenture or any Supplemental Indenture as follows:

(a) to provide for the issuance of a Series or multiple Series of Bonds under the provisions of Section 2.9 of this Indenture and to set forth the terms of such Bonds and the special provisions which shall apply to such Bonds;

(b) to cure any formal defect, omission, inconsistency or ambiguity in this Indenture or any Supplemental Indenture, provided that the interests of the Bondholders will not be materially adversely affected thereby;

(c) to add to the covenants and agreements of the Department and the Commission in this Indenture or any Supplemental Indenture other covenants and agreements, or to surrender any

right or power reserved or conferred upon the Department or the Commission, provided that the interests of the Bondholders will not be materially adversely affected thereby;

(d) to confirm, as further assurance, any interest of the Trustee in and to the Trust Estate or in and to the funds and accounts held by the Trustee or in and to any other moneys, securities or funds of the Department or the Commission provided pursuant to this Indenture or to otherwise add additional security for the Bondholders;

(e) to evidence any change made in the terms of any Series of Bonds if such changes are authorized by the Supplemental Indenture at the time the Series of Bonds is issued and such change is made in accordance with the terms of such Supplemental Indenture;

(f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;

(g) to modify, alter, amend or supplement this Indenture or any Supplemental Indenture in connection with entering into a Swap Agreement or a Credit Support Agreement or in any other respect, provided that the interests of the Bondholders will not be materially adversely affected thereby;

(h) to modify, alter, amend or supplement this Indenture or any Supplemental Indenture in a manner that will be applicable only to bonds that were not Outstanding prior to the effective date of such modification, alteration, amendment or supplement;

(i) to provide for uncertificated Bonds; and

(j) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the inclusion of the interest on the Bonds or a Series of Bonds in gross income for purposes of federal income taxation.

No such Supplemental Indenture shall modify any of the rights or obligations of the Trustee without its prior written consent, and no such Supplemental Indenture shall modify any of the rights or obligations of a Credit Provider without its prior written consent.

Any Supplemental Indenture entered into pursuant to this Section shall be deemed not to materially adversely affect the interests of the Bondholders so long as (i) all Bonds are secured by one or more Credit Support Instruments and (ii) each Credit Provider shall be performing in all material respects its obligations under all Credit Support Instruments provided by it and shall have given its written consent to such Supplemental Indenture.

Before the Treasurer, the Department and the Commission shall, pursuant to this Section, execute any Supplemental Indenture, the Trustee shall cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to each Credit Provider. A copy of the proposed Supplemental Indenture shall accompany such notice. Not less than one week after the date of the first mailing of such notice, the Treasurer, the Department and the Commission may execute and deliver such Supplemental Indenture, but only after there shall have been delivered to the Treasurer, the Department and the Commission an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and applicable law, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding

upon the Treasurer, the Department and the Commission in accordance with its terms and will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Bonds which are then unpaid and for which there has been delivered an opinion of Bond Counsel to the effect that interest on such Bonds is excluded from gross income for federal income tax purposes.

Section 10.3. Supplemental Indentures Requiring Consent of Bondholders.

(a) Except for any Supplemental Indenture entered into pursuant to Section 10.2, and any Supplemental Indenture entered into pursuant to Section 10.3(b) below, subject to the terms and provisions contained in this Section and not otherwise, the Owners of not less than a majority of the aggregate principal amount of the Bonds then Outstanding shall have the right from time to time to consent to and approve the execution by the Treasurer, the Department and the Commission of any Supplemental Indenture deemed necessary or desirable by the Treasurer, the Department and the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Indenture or in a Supplemental Indenture, provided that, unless approved in writing by the Owners of all the Bonds then Outstanding or unless such change affects less than all Series of Bonds and the following subsection (b) is applicable, nothing herein contained shall permit, or be construed as permitting (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds or the rate of interest thereon; and provided that nothing herein contained, including the provisions of Section 10.3(b) below, shall, unless approved in writing by the Owners of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by this Indenture as originally executed) upon or pledge of the Trust Estate created by this Indenture, ranking prior to or on parity with the claim created by this Indenture, or (iv) except as provided herein and except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or (v) a reduction in the aggregate principal amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the execution of any Supplemental Indenture as authorized in Section 10.2, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Trust Estate.

(b) The Treasurer, the Department and the Commission may, from time to time and at anytime execute a Supplemental Indenture which amends the provisions of an earlier Supplemental Indenture under which a Series or multiple Series of Bonds were issued. If such Supplemental Indenture is executed for one of the purposes set forth in Section 10.2, no notice to or consent of the Bondholders shall be required. If such Supplemental Indenture or any other Supplemental Indenture contains provisions which affect the rights and interests of less than all Series of Bonds Outstanding (as evidenced by a certificate of a Financial Consultant to that effect) and Section 10.2 is not applicable, then this subsection (b) rather than subsection (a) above shall control and, subject to the terms and provisions contained in this Section 10.3 and not otherwise, the Owners of not less than a majority of the aggregate principal amount of the Bonds of all Series which are affected by such changes shall have the right from time to time to consent to and approve the execution by the Treasurer, the Department and the Commission of any Supplemental Indenture deemed necessary or desirable by the Treasurer, the Department and the Commission for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions

contained in such Supplemental Indenture and affecting only the Bonds of such Series, provided that, unless approved in writing by the Owners of all the Bonds of all the affected Series then Outstanding, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Bonds of such Series or the rate of interest thereon; and provided that nothing herein contained shall, unless approved in writing by the Owners of all the Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by this Indenture as originally executed) upon or pledge of the Trust Estate created by this Indenture, ranking prior to or on parity with the claim created by this Indenture, or (iv) except as provided herein and except with respect to additional security which may be provided for a particular Series of Bonds, a preference or priority of any Obligation or Obligations over any other Obligation or Obligations, or (v) a reduction in the aggregate principal amount of Bonds the consent of the Bondholders of which is required for any such Supplemental Indenture. Nothing herein contained, however, shall be construed as making necessary the approval by Bondholders of the adoption of any Supplemental Indenture as authorized in Section 10.2, including the granting, for the benefit of particular Series of Bonds, security in addition to the pledge of the Trust Estate.

(c) If at any time the Treasurer, the Department and the Commission shall desire to enter into any Supplemental Indenture for any of the purposes of this Section, the Trustee shall cause notice of the proposed execution of the Supplemental Indenture to be given by Mail to all Secured Owners or, under Section 10.3(b), all Secured Owners of the affected Series. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Secured Owners.

(d) Not less than one week after the date of the first mailing of such notice, the Treasurer, the Department and the Commission may execute and deliver such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first been delivered to the Treasurer, the Department and the Commission (i) the required consents, in writing, of Bondholders, and (ii) an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and applicable law, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the Commission in accordance with its terms and will not adversely affect the exemption from federal income taxation of interest on the Bonds.

(e) If Bondholders of not less than the percentage of Bonds required by this Section shall have consented to and approved the execution and delivery thereof as herein provided, no Bondholder shall have any right to object to the adoption of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Treasurer, the Department and the Commission from executing the same or from taking any action pursuant to the provisions thereof.

Section 10.4. Effect of Supplemental Indenture. Upon execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article, this Indenture or the Supplemental Indenture shall be, and shall be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture and the Supplemental Indenture of the Treasurer, the Department, the Commission, the Trustee, the Paying Agent and all Secured Owners shall thereafter be determined, exercised and enforced under this

Indenture and the Supplemental Indenture, if applicable, subject in all respects to such modifications and amendments. In particular, any provisions of a Supplemental Indenture granting any right to a Credit Provider or otherwise pertaining to a Credit Support Instrument shall govern over any inconsistent provision of this Indenture with respect to such right, Credit Support Instrument or Bonds secured by such Credit Support Instrument.

Section 10.5. Supplemental Indentures To Be Part Of This Indenture. Any Supplemental Indenture adopted in accordance with the provisions of this Article shall thereafter form a part of this Indenture or the Supplemental Indenture which they supplement or amend, and all of the terms and conditions contained in any such Supplemental Indenture as to any provision authorized to be contained therein shall be and shall be deemed to be part of the terms and conditions of this Indenture or the Supplemental Indenture which they supplement or amend for any and all purposes.

ARTICLE XI

MISCELLANEOUS PROVISIONS

Section 11.1. Parties in Interest. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the Treasurer, the Commission, the Department, the Paying Agent, the Trustee and the Secured Owners any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the Treasurer, the Commission, the Department, the Paying Agent, the Trustee and the Secured Owners.

Section 11.2. Severability. In case any one or more of the provisions of this Indenture, or of any Bonds issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or of Bonds, and this Indenture and any Bonds issued hereunder shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

Section 11.3. No Personal Liability of Officials; Limited Liability to Bondholders. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of the Commission, the Treasurer or the Department in his or her individual capacity, and neither the members of the Commission the Treasurer or the Department nor any person executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Except for the payment from the Trust Estate when due of the payments and the observance and performance of the other agreements, conditions, covenants and terms required to be performed by it contained in this Indenture, the Commission, the Treasurer or the Department shall not have any obligation or liability to the Bondholders with respect to this Indenture or the preparation, execution, delivery, transfer, exchange or cancellation of the Bonds or the receipt, deposit or disbursement of the payments by the Trustee, or with respect to the performance by the Trustee of any obligation required to be performed by it contained in this Indenture.

Section 11.4. Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or

executed by Bondholders or on their behalf by an attorney in fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by an agent or attorney in-fact appointed by an instrument in writing or as provided in the Bonds. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(g) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(h) The ownership of Bonds shall be proved by the registration books kept under the provisions hereof.

Nothing contained in this Section shall be construed as limiting the Trustee to such proof. The Trustee may accept any other evidence of matters herein stated which it may deem sufficient. Any request, consent of, or assignment by any Bondholder shall bind every future Bondholder of the same Bonds or any Bonds issued in lieu thereof in respect of anything done by the Trustee or the Commission in pursuance of such request or consent.

Section 11.5. Governing Law; Venue. This Indenture shall be construed in accordance with and governed by the Constitution and laws of the State applicable to contracts made and performed in the State. This Indenture shall be enforceable in the State, and any action arising hereunder shall (unless waived by the Commission, the Department and the Treasurer) be filed and maintained in the County of Sacramento, California.

Section 11.6. Notices Except as otherwise provided in this Indenture, all notices, certificates, requests, requisitions or other communications by the Commission, the Trustee, the Paying Agent, or the Registrar, pursuant to this Indenture shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, addressed as follows: if the Commission, to 1120 N Street, MS 52, Sacramento, California 95814, Attention: Executive Director, if to the Trustee, to 915 Capitol Mall, Room 261, Sacramento, California 95814, Attention: Office of the State Treasurer; if to the Department to 1120 N Street, Sacramento, California 95814, Attention: Director of Transportation, with a copy to Chief Counsel of the Department of Transportation at the same address; if to the Registrar or a Paying Agent, to such address as is designated in writing by it to the Trustee and the Commission. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder.

Section 11.7. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may, unless otherwise provided in this Indenture or, with respect to any Series of Bonds or portion of Series of Bonds, provided in the Supplemental Indenture under which such Bonds are issued, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

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IN WITNESS WHEREOF, the parties hereto have caused this Indenture to be duly executed all as of the date first above written.

CALIFORNIA TRANSPORTATION
COMMISSION

Executive Director

TREASURER OF THE STATE OF CALIFORNIA,
as Issuer and Trustee

Deputy Treasurer,
For State Treasurer, Philip Angelides

CALIFORNIA DEPARTMENT OF
TRANSPORTATION

Authorized Department Representative

Table of Contents

Page

ARTICLE I	DEFINITIONS; INTERPRETATION	2
Section 1.1	Definition of Terms.....	2
Section 1.1	Interpretation.....	13
ARTICLE II	FORM, EXECUTION, DELIVERY AND REGISTRATION OF BONDS.....	14
Section 2.1	Issuance of Bonds; Forms	14
Section 2.2	Terms of the Bonds.....	14
Section 2.3	Execution and Authentication.....	14
Section 2.4	Bond Register.....	15
Section 2.5	Mutilated, Lost, Stolen or Destroyed Bonds.....	15
Section 2.6	Registration and Transfer and Exchange of Bonds; Persons Treated as Owners	16
Section 2.7	Destruction of Bonds	16
Section 2.8	Temporary Bonds.....	16
Section 2.9	Issuance of Series of Bonds; Supplemental Indenture; Application of Bond Proceeds	17
Section 2.10	Refunding Bonds	18
Section 2.11	Tests for Issuance of Additional Bonds	18
Section 2.12	Certain Agreements and Swaps	19
ARTICLE III	REDEMPTION OF BONDS	20
Section 3.1	Bonds Redeemable.....	20
Section 3.2	Selection of Bonds To Be Redeemed	20
Section 3.3	Notice of Redemption	20
Section 3.4	Effect of Call for Redemption.....	21
Section 3.5	Purchase in Lieu of Redemption.....	21
Section 3.6	Mandatory Tender for Repurchase	21
ARTICLE IV	REVENUES AND FUNDS	22
Section 4.1	Construction Fund and Certain Accounts	22
Section 4.2	Creation of Debt Service Funds and Accounts and Rebate Fund	22
Section 4.3	Senior Lien Debt Service Fund.....	23
Section 4.4	Subordinate Lien Debt Service Fund	23
Section 4.5	Rebate Fund	24
Section 4.6	Administrative Expense Fund.....	25
Section 4.7	Application of Federal Transportation Funds	25
Section 4.8	Moneys Held by Paying Agents in Trust; Unclaimed	26
Section 4.9	Additional Funds and Accounts.....	26
Section 4.10	Trust Estate Security; Additional Security.....	26
ARTICLE V	COVENANTS OF THE DEPARTMENT AND COMMISSION.....	26
Section 5.1	Punctual Payment and Performance	26
Section 5.2	Federal Aid Agreements	27
Section 5.3	Payment of Lawful Charges.....	27

Table of Contents
(continued)

	<i>Page</i>
Section 5.4 Further Assurances.....	27
Section 5.5 Further Covenants.....	27
Section 5.6 Department Covenants.....	28
ARTICLE VI INVESTMENTS.....	31
ARTICLE VII DEFEASANCE	32
ARTICLE VIII DEFAULTS AND REMEDIES.....	33
Section 8.1 Events of Default	33
Section 8.2 Remedies.....	34
Section 8.3 No Waiver of Remedies.....	34
Section 8.4 Application of Moneys	34
Section 8.5 Severability of Remedies	35
ARTICLE IX TRUSTEE, PAYING AGENT AND CO-PAYING AGENTS; REGISTRAR.....	36
Section 9.1 Acceptance of Trusts.....	36
Section 9.2 Duties of Trustee.....	36
Section 9.3 Rights of Trustee.....	37
Section 9.4 Individual Rights of Trustee	37
Section 9.5 Trustee’s Disclaimer	37
Section 9.6 Notice of Defaults	37
Section 9.7 Compensation of Trustee	37
Section 9.8 Eligibility of Trustee	37
Section 9.9 Replacement of Trustee	38
Section 9.10 Successor Trustee or Agent by Merger.....	38
Section 9.11 Paying Agent.....	38
Section 9.12 Registrar	39
Section 9.13 Other Agents	39
Section 9.14 Several Capacities.....	39
Section 9.15 Accounting Records and Reports of the Trustee	40
ARTICLE X MODIFICATION OF THIS INDENTURE.....	40
Section 10.1 Limitations	40
Section 10.2 Supplemental Indentures Not Requiring Consent of Bondholders.....	40
Section 10.3 Supplemental Indentures Requiring Consent of Bondholders.....	42
Section 10.4 Effect of Supplemental Indenture	43
Section 10.5 Supplemental Indentures To Be Part Of This Indenture.....	44
ARTICLE XI MISCELLANEOUS PROVISIONS.....	44
Section 11.1 Parties in Interest.....	44
Section 11.2 Severability	44

Table of Contents
(continued)

	<i>Page</i>
Section 11.3 No Personal Liability of Officials; Limited Liability to Bondholders	44
Section 11.4 Execution of Instruments; Proof of Ownership	44
Section 11.5 Governing Law; Venue	45
Section 11.6 Notices	45
Section 11.7 Holidays	45

\$ _____
STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS
SERIES 2004A

PURCHASE CONTRACT

_____, 2004

The Honorable Philip Angelides
Treasurer of the State of California
915 Capitol Mall, Room 261
Sacramento, California 95814

Honorable Philip Angelides:

The undersigned, Citigroup Global Markets Inc., for itself and as representative of Loop Capital Markets, LLC, Bear, Stearns & Co. Inc., First Albany Capital, First Southwest Corporation, Jackson Securities, JP Morgan Securities Inc., Lehman Brothers Inc., Redwood Securities Group, Inc., Roberts and Ryan Investments, Inc., Siebert Brandford Shank & Co., LLC, and UBS Financial Services Inc. (collectively, the "Underwriters"), offers to enter into this Purchase Contract with the Treasurer of the State of California (the "State Treasurer"). Upon acceptance hereof and approval by the California Department of Transportation ("the Department"), and upon acknowledgement hereof by the California Transportation Commission (the "Commission"), this offer will become binding upon the State Treasurer, the Department and the Underwriters. This offer is made subject to acceptance by delivery to the Representative of an executed counterpart hereof at or prior to 11:59 p.m., Pacific time, on this date, or on such later time as shall have been consented to by the State Treasurer and the Underwriter.

Capitalized terms used in this Purchase Contract and not otherwise defined herein shall have the meanings ascribed to such terms as set forth in the Indenture (defined below).

Any authority, discretion or other power conferred upon the Underwriters by this Purchase Contract may be exercised by Citigroup Global Markets Inc. (the "Representative") alone.

1. PURCHASE, SALE AND DELIVERY OF THE BONDS; OFFICIAL STATEMENT.

(a) Upon the basis of the representations, warranties and agreements herein set forth and subject to the terms and conditions contained herein, the Underwriters hereby, jointly and severally, agree to purchase from the State Treasurer, and the State Treasurer hereby agrees to sell to the Underwriters, all (but not less than all) of the \$ _____ aggregate principal amount of the State of California (California Department of Transportation) Federal

Highway Grant Anticipation Bonds, Series 2004A (the "Bonds"). The Bonds shall be dated February 1, 2004 (the "Dated Date") and bear interest at the rates and mature on the dates and in the principal amounts as set forth in Exhibit A hereto.

The Underwriters shall purchase the Bonds at an aggregate price of \$ _____ (being the aggregate principal amount of the Bonds of \$ _____, less an underwriters' discount of \$ _____, and less a net original issue discount of \$ _____), plus accrued interest from the Dated Date to the Closing Date (as defined below) (the "Purchase Price"). Such payment and delivery and the other actions contemplated hereunder to be taken at the time of such payment and delivery being sometimes called the "Closing."

The Bonds shall be substantially in the form described in, shall be issued and secured under the provisions of, and shall be payable as provided in, that certain Master Indenture of Trust, dated as of February 1, 2004 (the "Master Indenture"), and that certain First Supplemental Indenture, dated as of February 1, 2004 (the "First Supplemental Indenture," and, together with the Master Indenture, the "Indenture"), each among the Commission, the Department, the State Treasurer, and the Treasurer of the State of California, as trustee (the "Trustee").

[The Bonds maturing on August 1, 200__ and _____ (the "Uninsured Bonds") will not be insured. The scheduled payment of principal and interest when due with respect to the Bonds maturing on August 1, 200__ and _____, shall be guaranteed under an insurance policy (the "Bond Insurance Policy") to be issued concurrently with the delivery of the Bonds by _____ (the "Bond Insurer").]

The State Treasurer and the Department have each delivered to the Representative certificates, dated the date of the Preliminary Official Statement (defined below), pursuant to Securities and Exchange Commission Rule 15c2-12 ("Rule 15c2-12") relating to the Preliminary Official Statement, in substantially the forms attached hereto as Exhibit B-1 and Exhibit B-2, respectively.

Prior to the date hereof, the Commission has, pursuant to its Resolutions Nos. _____ adopted on January ___, 2004 (collectively, the "Commission Resolution"), done the following: pledged the Federal Transportation Funds, selected the Construction Projects to be financed with the Bonds, requested the State Treasurer to issue the Bonds, made the findings and taken all actions required of the Commission by Chapter 4 (commencing with Section 14550) of Part 5.3 of Division 3 of Title 20 of the California Government Code (the "Act"), and authorized the execution and delivery of the Indenture and acknowledgment of this Purchase Contract.

Prior to the date hereof, the Department has done the following: authorized the execution and delivery of the Indenture, this Purchase Contract, the Continuing Disclosure Agreement (as hereinafter defined) and the Federal Aid Agreements between the Department and the Federal Highway Administration ("FHWA") for the Construction Projects described in the Official Statement (the "Project Aid Agreements"), pursuant to which FHWA has agreed to pay Federal Transportation Funds (as defined in the Indenture) to the Department in amounts sufficient to pay, when due, the Bonds, approved the Official Statement (as hereinafter defined), and

authorized the distribution of the Preliminary Official Statement (as herein defined) and the Official Statement.

(b) The State Treasurer has delivered to the Underwriters the Preliminary Official Statement dated _____, 2004 relating to the Bonds (the "Preliminary Official Statement"). The State Treasurer shall deliver within seven business days of the date of this Purchase Contract and in time to accompany any confirmation that requests payment from any customer, the final official statement dated the date hereof substantially in the form of the Preliminary Official Statement, with only such changes therein as have been accepted by the Underwriters (the Preliminary Official Statement with such changes, and including the cover page and all appendices, exhibits, reports and statements included therein or attached thereto, being herein called the "Official Statement"). The Official Statement shall be signed on behalf of the State Treasurer by a Deputy Treasurer, and on behalf of the Department by its Chief Financial Officer (or such other officers as are acceptable to the Underwriters), and shall be in such quantities as the Underwriters shall request to comply with Rule 15c2-12(b)(4) and the rules of the Municipal Securities Rulemaking Board (the "MSRB")

(c) The State Treasurer and the Department each hereby authorizes the use of the Official Statement and the information contained therein by the Underwriters in connection with the public offering and the sale of the Bonds. The State Treasurer and the Department each consents to the use by the Underwriters prior to the date hereof of the Preliminary Official Statement in connection with the public offering of the Bonds.

(d) The Department shall undertake, pursuant to the Continuing Disclosure Agreement to be dated the Closing Date (the "Continuing Disclosure Agreement"), between the Department and the State Treasurer, as the dissemination agent, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and shall also be set forth in the final Official Statement.

(e) At 8:00 A.M., California time, on _____, 2004, or on such earlier or later date as may be mutually agreed upon by the Underwriters and the State Treasurer, the State Treasurer will deliver or cause to be delivered to The Depository Trust Company ("DTC") for the account of the Underwriters in New York, New York, or at such other place as may be agreed upon between the State Treasurer and the Underwriters, the Bonds in definitive form, bearing proper CUSIP numbers, duly executed and authenticated, together with the other documents hereinafter mentioned, and, subject to the terms and conditions of this Purchase Contract, the Underwriters will accept delivery of the Bonds through the facilities of DTC or such other place as shall have been mutually agreed upon by the Underwriters and the State Treasurer and pay the Purchase Price (less the amount of the deposit referred to in Section 1(g) of this Purchase Contract) by wire transfer in immediately available funds to the order of the State Treasurer, for deposit as provided in the Indenture (or by such other form of payment in immediately available funds as shall have been mutually agreed upon by the State Treasurer and the Underwriters). Delivery of the documents provided for herein to be made at the Closing and payment for the Bonds as aforesaid shall be made at the office of the State Treasurer in Sacramento, California, or such other place as shall have been mutually agreed upon by the Underwriters and the State Treasurer.

The Bonds shall be issued in fully registered form, shall be evidenced by typewritten, lithographed or word processed bonds forms, and shall be prepared and delivered as one Bond for each maturity registered in the name of Cede & Co., as nominee of DTC. The Bonds shall be made available to the Underwriters at the office of the State Treasurer in Sacramento, California (or such other place or date as shall have been mutually agreed upon by the State Treasurer and the Underwriters) by one day prior to the Closing for purposes of inspection and packaging.

(f) The Underwriters have entered into this Purchase Contract in reliance upon: the representations and warranties of the State Treasurer and the Department contained herein; the certificates of the State Treasurer, the Commission, the Department and the Trustee to be delivered pursuant to this Purchase Contract and the Indenture; and the opinions of the Honorable Bill Lockyer, Attorney General of the State of California (the "Attorney General"), Nossaman, Guthner, Elliott & Knox ("Bond Counsel"), Lofton & Jennings ("Disclosure Counsel"), counsel to the Commission and counsel to the Department, which are required to be delivered pursuant to this Purchase Contract and the Indenture.

(g) The State Treasurer acknowledges receipt of a wire transfer (in immediately available funds) for the account of the Department (or such other form of payment in immediately available funds as shall have been mutually agreed upon by the State Treasurer and the Underwriters) in an amount equal to \$_____. Such wire transfer (or other form of payment) has been delivered by the Underwriters as security for the performance by the Underwriters of their obligations hereunder to purchase, accept delivery of and pay for the Bonds at Closing. On the Closing Date, the Underwriters shall pay or cause to be paid the Purchase Price of the Bonds (as specified in this Section 1(a)), less the amount of such deposit, without interest, to the payment of the balance of such Purchase Price. If the State Treasurer and the Department do not accept this offer, the State Treasurer shall forthwith return the amount of such deposit, without interest to the Underwriters. Should the State Treasurer fail to deliver the Bonds on the Closing Date, or should the State Treasurer, the Commission or the Department be unable to satisfy the conditions to the obligations of the Underwriters to accept delivery of and to pay for the Bonds as set forth in this Purchase Contract (unless waived by the Underwriters), or should such obligations of the Underwriters be terminated for a reason permitted by this Purchase Contract, then the State Treasurer shall forthwith return the amount of such deposit, without interest, to the Underwriters. If the Underwriters fail (other than for a reason permitted hereunder) to accept delivery of and pay for any of the Bonds at the Closing as herein provided, then such deposit shall be retained by the State Treasurer on behalf of the Department as and for full liquidated damages for the failure of the Underwriters to accept delivery of and pay for the Bonds. The retention of such sum shall constitute a full release and discharge of all claims and rights of the State Treasurer, the Commission and the Department against the Underwriters on account of such failure and a waiver of any right the State Treasurer, the Commission and the Department may have to additional damages for such failure. The Underwriters waive any right to claim that actual damages resulting from such failure are less than the amount of such liquidated damages.

2. REPRESENTATIONS, WARRANTIES AND AGREEMENTS OF THE STATE TREASURER.

The State Treasurer represents and warrants to and agrees with the Underwriters as follows:

(a) As of the date of this Purchase Contract, the State Treasurer has requisite right, power and authority under the Act and other laws to enter into this Purchase Contract, the Indenture and Continuing Disclosure Agreement and to issue the Bonds.

(b) As of date of this Purchase Contract, (i) all appropriations, legislation and all other actions of the State Legislature have been enacted, signed by the State Governor and are in full force and effect as are necessary or appropriate under State law to provide full and continuing legal authority so long as the Bonds are Outstanding for (A) the Department to deposit all Federal Transportation Funds into the Transportation Financing Subaccount (as defined in the Indenture) in the amount, and as and when, required by the Indenture, and (B) the State Treasurer to withdraw Federal Transportation Funds and Bond proceeds from the Transportation Financing Subaccount and pay such money to the Trustee in the amount, and as and when, required to pay all principal of and interest on the Bonds, when due, and (ii) all authorizations, approvals, licenses, consents and orders of any governmental authority or agency or officer that would constitute a condition precedent to, or the absence of which would material and adversely affect, the performance by the Department and the State Treasurer of the obligations described in (i) have been obtained and are in full and continuing force and effect.

(c) As of the date of this Purchase Contract, all other authorizations, approvals, licenses, consents and orders of any governmental authority or agency or officer having jurisdiction of the matter that would constitute a condition precedent to, or the absence of which would materially and adversely affect, the performance by the State Treasurer of his obligations under the Bonds, this Purchase Contract, the Indenture and Continuing Disclosure Agreement have been obtained and are in full and continuing force and effect.

(d) At the date of Closing, this Purchase Contract, the Indenture and Continuing Disclosure Agreement will each constitute the legal, valid and binding obligations of the State Treasurer in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(e) At the Closing, the Bonds will have been duly authorized, executed, issued and delivered and, upon payment by the Underwriters, will constitute valid and binding limited obligations as provided in the Indenture, enforceable in accordance with their terms, in conformity with, and entitled to the benefit and security of, the Indenture.

(f) The State Treasurer shall furnish or cause to be furnished such information, execute or cause to be executed such instruments and take or cause to be taken such other action in cooperation with the Underwriters as the Underwriters may deem necessary in order to (i) qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriters may

designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that the foregoing shall not require the State Treasurer to execute a consent to service of process or to qualify as a foreign corporation in connection with such qualification in any foreign jurisdiction.

(g) The execution and delivery by the State Treasurer of the Bonds, the Indenture, the Continuing Disclosure Agreement, this Purchase Contract and the Official Statement, and compliance with the provisions on the State Treasurer's part contained therein, will not conflict with or constitute a breach of or default under the Act or any other law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument to which the State Treasurer is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon the Federal Transportation Funds or any of the properties or assets of the State Treasurer under the terms of the Act, or any such law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument, except as expressly provided by the Indenture.

(h) At the time of the State Treasurer's acceptance of this Purchase Contract and at all times subsequent thereto up to and including the time of the Closing, the Official Statement is and will be true and correct in all material respects, and does not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, it being further understood that no such representation, warranty or agreement shall apply to statements or information in or omissions from the Official Statement furnished by the Underwriters for inclusion therein or with respect to which the Department agrees to indemnify the Commission and the State Treasurer as provided in Section 3(o) hereof.

(i) If, between the date of this Purchase Contract and up to and including the 25th day following the "end of the underwriting period" (as such term is defined in Rule 15c2-12(f)(2)) any event occurs, of which the State Treasurer has actual knowledge, which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of the material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, or if the State Treasurer is notified by the Department, or is otherwise requested to amend, supplement or otherwise change the Official Statement, then (A) the State Treasurer shall notify the Underwriters and the Department of such event, and (B) if in the opinion of Disclosure Counsel or the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, then the State Treasurer shall amend or supplement the Official Statement in a form and in a manner approved by the Underwriters and Disclosure Counsel, provided all expense thereby incurred will be paid by the Department as provided in Section 3(k) hereof. For the purposes of this Section 2(i), the State Treasurer shall furnish to the Underwriters such information as the Underwriters may from time to time reasonably request.

The State Treasurer may assume that the “end of the underwriting period” for purposes of Rule 15c2-12 will occur on the date of Closing unless otherwise notified, in writing, by the Underwriters on or prior to the date of Closing.

(j) From the date of the final Official Statement through twenty-five (25) days from the date of the end of the underwriting period (as such term is defined in Rule 15c2-12)), (i) the State Treasurer shall not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Department or the Underwriters shall reasonably object in writing or which shall be disapproved by any of their respective counsel and (ii) if any event shall occur as a result of which it is necessary, in the opinion of Disclosure Counsel or the Underwriters, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, then the State Treasurer shall forthwith prepare and furnish to the Underwriters and the Department (at the expense of the Department for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriters) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For purposes of this subsection, the State Treasurer shall furnish such information as the Underwriters may from time to time reasonably request.

3. REPRESENTATIONS, WARRANTIES, AND AGREEMENTS OF THE DEPARTMENT.
[RELOCATED FROM EXHIBIT B]

The Department hereby represents, warrants and agrees as follows:

(a) The Department is a department of the State of California, duly organized and validly existing under the laws of the State of California. The Department has, and at the Closing Date will have, full legal right, power and authority: (i) to enter into this Purchase Contract, the Indenture, the Continuing Disclosure Agreement, a Tax Certificate (the “Tax Certificate”), dated the Closing Date, and the Project Aid Agreements (collectively the “Department Documents”), (ii) to approve the Purchase Contract and the Official Statement, and (iii) to carry out and consummate all transactions contemplated by the Department Documents and the Official Statement. The Department has duly authorized the execution and delivery of the Department Documents, has approved the Official Statement, and has authorized the distribution of the Preliminary Official Statement and the Official Statement.

(b) The officers of the Department executing the Department Documents and approving and executing the Official Statement are duly and properly in office and are fully authorized to execute, deliver and approve the same.

(c) The review, approval and execution of the Official Statement by officers of the Department has been authorized by the Department; the execution and delivery of the Department Documents has been duly authorized and at the Closing each of the Department

Documents will have been duly executed and delivered by the Department, and will constitute the legal, valid and binding obligation of the Department enforceable against the Department in accordance with its terms; except as enforcement of each of the above-referenced documents may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(d) The Department is not (i) in violation of the Act, Federal Aid Authorization (as defined in the Indenture) or any other applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree, which violation would materially adversely affect the receipt of Federal Transportation Funds or the financial position or operations of the Department or (ii) in default under any loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument to which the Department is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument, which default would materially adversely affect the receipt by the Department of Federal Transportation Funds pursuant to the Project Aid Agreements in amounts sufficient to pay, when due, the Bonds, or the financial position or operations of the Department.

(e) As of date of this Purchase Contract, (i) all appropriations, legislation and all other actions of the State Legislature have been enacted, signed by the State Governor and are in full force and effect as are necessary or appropriate under State law to provide full and continuing legal authority so long as the Bonds are outstanding for (A) the Department to deposit all Federal Transportation Funds into the Transportation Financing Subaccount (as defined in the Indenture) in the amount, and as and when, required by the Indenture, and (B) the State Treasurer to withdraw Federal Transportation Funds and Bond Proceeds from the Transportation Financing Subaccount and pay such money to the Trustee in the amount, and as and when, required to pay all principal of and interest on the Bonds, when due, and (ii) all other licenses, consents and orders of any governmental authority or agency or officer that would constitute a condition precedent to, or the absence of which would materially and adversely affect, the performance of the obligation described in (i) have been obtained and are in full and continuing force and effect.

(f) The execution and delivery of the Department Documents by the Department, the Department's approval of the Purchase Contract and the Official Statement, the consummation by the Department of the transactions herein and therein contemplated, and the Department's fulfillment of or compliance with the terms and conditions hereof and thereof, will not (i) conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under (A) the Act, Federal Aid Authorization, or any other statutes applicable to the Department, (B) any bylaws, orders or regulations of the Department, (C) any Project Aid Agreement or any other indenture, mortgage, deed of trust, loan agreement, pledge agreement, contract, lease or other agreement or instrument to which the Department is a party or by which it or its properties are otherwise subject or bound, or (D) any law or administrative rule or regulation or any court or administrative decree or order applicable to the Department, or (ii) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Department (other than the pledge created under the Indenture), which conflict, violation, breach, default, lien, charge or encumbrance

might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Department Documents or the Official Statement, or receipt by the Department of Federal Transportation Funds pursuant to the Project Aid Agreements in amounts sufficient to pay, when due, the Bonds, or the financial condition, assets, properties or operations of the Department.

(g) No consent or approval of any trustee or holder of any indebtedness or other obligations of the Department, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority (except in connection with Blue Sky proceedings) is necessary in connection with the execution and delivery of this Purchase Contract or any other Department Documents at the Closing, the approval of the Official Statement, or the consummation of any transaction contemplated herein, therein or under the Federal Aid Agreements, except in all such cases as have been obtained or made and as are in full force and effect.

(h) There are no actions, suits, proceedings, inquiry or investigation which have been served on the Department or, to the knowledge of the Department, are otherwise pending or threatened against the Department:

(1) to restrain or enjoin the issuance or delivery of any of the Bonds or the receipt by the Department of Federal Transportation Funds or any payments to be made by the Department pursuant to the Department Documents;

(2) in any way contesting or affecting the issuance or delivery of the Bonds, the validity when executed and delivered of the Bonds or the Department Documents, or the receipt by the Department of Federal Transportation Funds; or

(3) in any way contesting the existence or powers of the Department which, if determined adversely to it, might materially adversely affect the consummation of the transactions contemplated by the Department Documents or the financial condition, assets or properties of the Department.

(i) Between the date hereof and the Closing, the Department will not, without the prior written consent of the Underwriters, except as described in or contemplated by the Official Statement, incur any material liabilities, direct or contingent, affecting the financial condition or operations of the Department other than in the ordinary course of business.

(j) The Department shall cooperate with the State Treasurer to deliver, or cause to be delivered, to the Underwriters, within seven (7) business days after acceptance hereof, copies of the Official Statement, dated the date hereof, substantially in the form of the Preliminary Official Statement, with only such changes therein as have been accepted by the Underwriters, signed on behalf of the Department by its Chief Financial Officer (or such other officers as are acceptable to the Underwriters), in such quantities as the Underwriters shall request. The Department confirms that it deemed the information contained in the Preliminary Official Statement to be final as of its date for purposes of Securities and Exchange Commission Rule 15c2-12, except for any information permitted to be omitted therefrom by Rule 15c2-12. The Official Statement, as amended or supplemented pursuant to the Purchase Contract, will not

contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(k) If, between the date hereof and up to and including the 25th day following the end of the underwriting period (as such term is defined in Rule 15c2-12), any event shall occur which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, then (i) the Department shall notify the State Treasurer and the Underwriters and (ii) if in the opinion of Disclosure Counsel or the Underwriters, such event requires the preparation and publication of a supplement or amendment to the Official Statement, then the Department will request the State Treasurer to cause the Official Statement to be amended or supplemented in a form and in a manner approved by the Underwriters and Disclosure Counsel, provided all expenses thereby incurred will be paid by the Department.

(l) From the date of the final Official Statement through twenty-five (25) days from the date of the end of the Underwriting Period (as defined in Rule 15c2-12), (1) the Department shall not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the State Treasurer or the Underwriters shall reasonably object in writing or which shall be disapproved by their respective counsel and (ii) if any event shall occur as a result of which it is necessary, in the opinion of Disclosure Counsel or the Underwriters, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, then the Department will forthwith prepare and furnish to the Underwriters and the Department (at the expense of the Department for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriters) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

For the purposes of this subsection, the Department shall furnish such information with respect to itself, the Project Aid Agreements and the present and proposed Federal Transportation Funds, as the Underwriters may from time to time reasonably request.

(m) The Department shall cause the Commission, from the date of this Purchase Contract and up to and including the 25th day following the end of the underwriting period (as such term is defined in Rule 15c2-12), (i) to advise the Department, the State Treasurer and the Underwriters of the occurrence of any event of which the Commission has actual knowledge which might or would cause the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading and (ii) to cooperate in the

preparation and delivery of any amendment or supplement to the Official Statement required by Section 3(k).

(n) From the date of the final Official Statement through twenty-five (25) days from the date of the end of the underwriting period (as such term is defined in Rule 15c2-12), if any event relating to or affecting the Commission shall occur as a result of which it is necessary, in the opinion of Disclosure Counsel or the Underwriters, to amend or supplement the Official Statement in order to make the Official Statement true and correct in all material respects and not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, then the Department shall cause the Commission forthwith to prepare and furnish to the Underwriters, the State Treasurer and the Department (at the expense of the Department for ninety (90) days from the date of Closing, and thereafter at the expense of the Underwriters) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to Disclosure Counsel and the Underwriters) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading.

For purposes of this subsection, the Department shall cause the Commission to furnish such information with respect to the Commission as the Underwriters may from time to time reasonably request during such 25-day period.

(o) To the extent permitted by law, and, to the extent required by law, subject to specific funding authority under the State Budget Act, the Department agrees to indemnify and hold harmless the Commission and the State Treasurer and each person, if any, who controls (as such term is defined in Section 15 of the Securities Act of 1933, as amended (the "Securities Act")) the Commission and the State Treasurer and the officers, agents and employees of the Commission and the State Treasurer (collectively, the "Indemnified Persons," and individually, an "Indemnified Person"), from and against any and all judgments, losses, claims, damages or liabilities, joint or several, to which any Indemnified Person may become subject insofar as such judgments, losses, claims, damages or liabilities (or actions in respect thereof) arise out of, or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Preliminary Official Statement or in the Official Statement under the captions "THE CONSTRUCTION PROJECTS," "INFORMATION CONCERNING THE FUNDING OF FEDERAL AID HIGHWAYS," "FEDERAL AID REVENUES," "THE DEPARTMENT" and "LITIGATION" (as it applies to the Department) or that arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading with respect to the information contained therein and will reimburse each Indemnified Person for any legal or other expenses reasonably incurred by such Indemnified Person in connection with investigating, defending or preparing to defend any such loss, claim, damage, liability or any action in respect thereof; provided, however, that the Department shall not be liable to any Indemnified Person in any such case to the extent that any such loss, claim, damage or liability arises out of, or is based upon, any information furnished by such Indemnified Person specifically for inclusion therein

Promptly after receipt by an Indemnified Person of notice of the assertion of any claim or the commencement of any action, such Indemnified Person shall, if a claim in respect thereof is to be made against the Department, notify the Department in writing of the assertion or commencement thereof. In case any such action shall be brought against any Indemnified Person, and such Indemnified Person shall notify the Department of the commencement thereof, the Department shall be entitled to participate in and, to the extent authorized by such Indemnified Person, to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Person, and after notice from the Department to such Indemnified Person of its election so to assume the defense thereof (in the event such Indemnified Person has authorized the Department to assume the defense thereof), the Department shall not be liable to such Indemnified Person under this Section 3 (m) for any legal or other expenses subsequently incurred by such Indemnified Person in connection with the defense thereof; provided, however, that if the named parties to any such action (including any impleaded parties) include the Indemnified Person and the Department, and the Indemnified Persons reasonably conclude that there may be one or more legal defenses available to them which are different from or additional to those available to the Department, the Indemnified Persons shall have the right to select separate counsel to assume such legal defense and to otherwise participate in the defense of such action on behalf of the Indemnified Persons; provided, further, however, that the Department shall not, in connection with any one such action or separate but substantially similar or related actions arising out of the same general allegations or circumstances, be liable for the fees and expenses of more than one separate firm of attorneys at any point in time for the Indemnified Persons.

4. CONDITIONS TO THE OBLIGATIONS OF THE UNDERWRITERS.

The obligation of the Underwriters to accept delivery of and pay for the Bonds on the Closing Date shall be subject, at the option of the Underwriters, to the accuracy in all material respects of the representations, warranties and agreements on the part of the State Treasurer and the Department contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the State Treasurer, the Commission and the Department made in any certificates or other documents furnished pursuant to the provisions hereof, and to the performance by the State Treasurer, the Commission and the Department of its obligations to be performed hereunder on or prior to the Closing Date and to the following additional conditions:

(a) At the time of Closing, the Indenture, the Project Aid Agreements, the Tax Certificate with respect to the Bonds, the Continuing Disclosure Agreement and this Purchase Contract shall be in full force and effect as valid, binding and enforceable agreements between or among the various parties thereto, and this Purchase Contract, the Indenture, the Project Aid Agreements, the Tax Certificate, the Continuing Disclosure Agreement and the Official Statement shall not have been amended, modified or supplemented, except as described herein or as may otherwise have been agreed to in writing by the Underwriters, and there shall have been taken in connection with the issuance of the Bonds and with the transactions contemplated thereby and by this Purchase Contract, all such actions as, in the opinion of the Attorney General and Bond Counsel, shall be necessary and appropriate.

(b) At the Closing Date, the Official Statement shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Underwriters.

(c) Between the date hereof and the Closing Date, none of the following shall have occurred:

(1) (A) the income received by any holder of obligations of the same type and character as the Bonds shall be declared not to be excludable from gross income (either at the time of the declaration or at any future date) under any federal income tax law, either by the terms of such law or by ruling or regulation of a federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any federal court or the tax court, or (B) any federal income tax law is adopted or enacted by, or introduced in, the Congress of the United States or adopted or enacted by, or introduced in, either house of Congress or a committee or conference committee thereof which will have a substantial adverse tax effect on the exclusion of the interest from federal gross income to the holders of the Bonds (for purposes of the preceding, interest will be treated as excludable from gross income for federal income tax purposes whether or not it is includable as an item of tax preference for purposes of calculating alternative minimum taxes or otherwise includable for purposes of calculating certain tax liabilities other than income tax);

(B) legislation shall be enacted, or a decision by a court of the United States shall be rendered, or any action shall be taken by, or on behalf of, the Securities and Exchange Commission which, in the reasonable judgment of the Representative, has the effect of requiring the Bonds to be registered under the Securities Act of 1933, as amended (the "Securities Act"), or requires the qualification of the Indenture under the Trust Indenture Act of 1939, as amended (the "Trust Indenture Act"), or any laws analogous thereto relating to governmental bodies;

(2) the declaration of war or the outbreak or escalation of military hostilities involving the United States or the occurrence of any other national or international emergency, calamity or event relating to the effective operation of the government of, or the financial community in, the United States, which, in the reasonable judgment of the Representative, would have a material and adverse effect on the market price or marketability, at the initial offering prices set forth in the Official Statement, of the Bonds (it is acknowledged by the parties that as of the date hereof no such event has occurred);

(3) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(4) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriters;

(5) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official or staff statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(6) the withdrawal or downgrading of the ratings on the Bonds;

(7) any event occurring, or information becoming known which, in the reasonable judgment of the Representative, makes untrue or incorrect in any material respect any statement or information contained in the Official Statement, or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(8) any adverse event occurs with respect to the affairs of the State of California, the State Treasurer, the Commission, the Department or the Trustee which, in the judgment of the Representative, would have a material and adverse effect on the market price or marketability, at the initial offering prices set forth in the Official Statement, of the Bonds.

(d) At or prior to the Closing Date, the Underwriters shall have received the following documents, in each case satisfactory in form and substance to the Underwriters:

(1) The Indenture, the Project Aid Agreements and the Continuing Disclosure Agreement, duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriters;

(2) Three copies of the Official Statement executed on behalf of the State Treasurer by a Deputy Treasurer and by the Department by its Chief Financial Officer;

(3) Opinions of the Attorney General and Bond Counsel, dated the Closing Date, in substantially the form attached to the Official Statement as Appendix D, together with a reliance letter addressed to the Underwriters, and supplemental opinions, in substantially the form attached hereto as Exhibit C-1 and Exhibit C-2;

(4) The opinion of Disclosure Counsel, dated the Closing Date and addressed to the Underwriters, the State Treasurer, the Department and the Commission, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Official Statement and without passing on and without assuming any responsibility for the

accuracy, completeness and fairness of the statements in the Official Statement, and having made no independent investigation or verification thereof, no information has come to their attention that leads them to believe that, as of the Closing Date, the Official Statement (except for any financial or statistical data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion or Appendices C or any information about book-entry or DTC or the Bond Insurer or the Bond Insurance Policy included therein, as to which no opinion or view need be expressed) contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and that the Bonds are exempt from registration under the Securities Act of 1933, as amended and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(5) The opinion of the Attorney General, as counsel to the Commission, dated the Closing Date and addressed to the State Treasurer, the Department and the Underwriters, in substantially the form attached hereto as Exhibit D;

(6) The opinion of counsel to the Department, dated the Closing Date and addressed to the State Treasurer, the Commission, and the Underwriters, in substantially the form attached hereto as Exhibit E;

(7) The opinion of Squire, Sanders & Dempsey L.L.P., counsel to the Underwriters, dated the Closing Date and addressed to the Underwriters, in form satisfactory to the Representative;

(8) a certificate of the State Treasurer, dated the Closing Date, executed on his behalf by any Deputy State Treasurer, to the effect that:

(A) the representations and warranties of the State Treasurer contained in this Purchase Contract and the Indenture are true, complete and correct as of the date of the Closing as if made on such date;

(B) The State Treasurer has fulfilled or performed each of his obligations contained in the Act, Indenture and this Purchase Contract required to be fulfilled or performed by him as of the Closing Date;

(C) no event has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect, as of the Closing Date, any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and

(D) the State Treasurer has authorized the execution and delivery of the Indenture, the Continuing Disclosure Agreement and

Official Statement, and is authorized to perform the obligations on his part to be performed under the Indenture and the Continuing Disclosure Agreements, and each of the Indenture and the Continuing Disclosure Agreements constitutes the legal, valid and binding obligation of the State Treasurer enforceable against the State Treasurer in accordance with its respective terms;

(9) A certificate of the director, or such other authorized official of the Commission as is acceptable to the Underwriters, dated the Closing Date substantially in the form of Exhibit G hereto.

(10) A certificate of the Chief Financial Officer of the Department, or such other authorized official of the Department as is acceptable to the Underwriters, dated the Closing Date, to the effect that:

(A) the representations and warranties made by the Department in the Indenture, the Project Aid Agreements and this Purchase Contract are true and correct as of the Closing Date;

(B) no material and adverse change has occurred relating to the Project Aid Agreements, Federal Aid Authorization or Federal Transportation Funds which is not described in the Official Statement;

(C) no event has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect, as of the Closing Date, any statement or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; and

(D) the Department has fulfilled or performed each of its obligations contained in the Act, the Project Aid Agreements, the Indenture and this Purchase Contract required to be fulfilled or performed by it as of the Closing Date; and

(E) The Department has not offered or issued any bonds, notes or other obligations for borrowed money or incurred any material liabilities, direct or contingent, other than in the ordinary course of business, which are not described in or contemplated by the Official Statement;

(F) there are no actions, suits or proceedings pending against the Department or, to the knowledge of the Department, threatened against the Department (i) to restrain or enjoin the issuance or delivery of any of the Bonds or the receipt of any Federal Transportation Funds pledged under the Indenture or any payments to be made by the Federal Highway Administration pursuant to the Project Aid Agreements; (ii) in any way contesting or affecting the issuance or delivery of the Bonds or the validity

when executed and delivered of the Bonds, the Indenture, the Project Aid Agreements, the Purchase Contract, Continuing Disclosure Agreement, or the receipt of Federal Transportation Funds pledged under the Indenture; (iii) in any way contesting the existence or powers of the Department; or (iv) which, if determined adversely, might materially adversely affect the consummation of the transactions contemplated by the Official Statement, the Purchase Contract, the Project Aid Agreements, the Continuing Disclosure Agreement, the Tax Certificate or the Federal Transportation Funds;

(11) A litigation certificate executed by the Attorney General, dated the Closing Date, substantially in the form attached hereto as Exhibit F;

(12) A certificate, dated the Closing Date, signed by a duly authorized officer of the Trustee, satisfactory in form and substance to the Underwriters, to the effect that: the Trustee accepts the duties and obligations of Trustee under the Indenture, the Indenture has been duly executed and delivered by, and constitutes the legal, valid and binding obligation of, the Trustee enforceable against the Trustee in accordance with its terms;

(13) The Blanket Issuer Letter of Representations of the State Treasurer, addressed to DTC, together with evidence that the Bonds have been deposited with and received by DTC or such other evidence, satisfactory to the Underwriters, that the Bonds have been duly accepted by the Trustee;

(14) A certified copy of the Commission Resolution;

(15) The Tax Certificate duly executed by the parties thereto and an Internal Revenue Service Form 8038 executed by the State Treasurer;

(16) Satisfactory evidence that the Insured Bonds have each been rated “Aaa” by Moody’s, “AAA” by S&P and “AAA” by Fitch, and evidence that the Uninsured Bonds have been rated “___” by Moody’s, “___” by S&P and “___” by Fitch;

(17) A copy of the fully executed Bond Insurance Policy;

(18) a certificate of an authorized representative of the Bond Insurer, in form and substance satisfactory to Bond Counsel, Disclosure Counsel and Underwriter’s Counsel, with respect to the information contained in the Official Statement describing the Bond Insurer and the Bond Insurance Policy;

(19) an opinion of counsel to the Bond Insurer with respect to the Bond Insurance Policy, addressed to the State Treasurer and the Underwriters in form and substance satisfactory to Bond Counsel, the Disclosure Counsel and Underwriter’s Counsel; and

(20) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriters or Bond Counsel may reasonably request to evidence compliance by the State Treasurer, the Commission and the Department with the Act and all other legal requirements, the truth and accuracy, as of the Closing Date, of the representations of the State Treasurer, the Commission and the Department contained herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the State Treasurer, the Commission and the Department at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the State Treasurer, the Commission and the Department.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Contract shall be deemed to be in compliance with the provisions of this Purchase Contract if, but only if, they are in form and substance reasonably satisfactory to the Representative and Underwriters' Counsel.

If the State Treasurer, the Commission or the Department shall be unable to satisfy the conditions to the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds as contained in this Purchase Contract or if the obligations of the Underwriters to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Purchase Contract, then this Purchase Contract shall terminate and neither the Underwriters nor the State Treasurer, the Commission or the Department shall be under further obligation hereunder, except that: (i) the good faith deposit referred to in Section 1(g) of this Purchase Contract shall immediately be returned to the Underwriters by the State Treasurer and (ii) the respective obligations of the State Treasurer and the Underwriters set forth in Section 5 of this Purchase Contract shall continue in full force and effect.

5. EXPENSES.

(a) All reasonable expenses of the Department, the Commission and the State Treasurer incident to the performance of their obligations in connection with the authorization, issuance and sale of the Bonds to the Underwriters, including premiums and cost of Bond Insurance, if any, fees and expenses of the financial advisor and any other consultants retained by the State Treasurer, fees of DTC, fees and expenses of rating agencies, fees and expenses of the State Treasurer and of the California Department of Finance, any out-of-pocket disbursements of the Commission and the Department, and fees and expenses of Bond Counsel, Disclosure Counsel, and the Attorney General, shall be paid by the Department. All fees and expenses to be paid by the Department pursuant to this Purchase Contract may be paid from Bond proceeds to the extent permitted by the Indenture and the Tax Certificate.

(b) All expenses of selling the Bonds, all out-of-pocket expenses of the Underwriters, including travel and other expenses, CUSIP Service Bureau charges, California Debt and Investment Advisory Commission fees, any fees charged by the Municipal Securities Rulemaking Board, blue sky fees, the fees and expenses of counsel to the Underwriters and printing and publishing costs related to the preparation and distribution of the Preliminary Official Statement and the Official Statement and all travel and other out-of-pocket expenses

incurred by the State in connection with the issuance of the Bonds and not described in (a), shall be paid by the Underwriters.

6. TERMINATION.

This Purchase Contract may be terminated by the Underwriters if any of the conditions specified herein shall not have been fulfilled by the Closing upon written notice of such termination to the State Treasurer, the Commission and the Department. The Underwriters may also terminate this Purchase Contract prior to the delivery of and payment for the Bonds if, subsequent to the date hereof, there shall have occurred any change, or any development involving a prospective change, in or affecting Federal Transportation Funds or the revenues, operations or properties of the Department which, in the reasonable judgment of the Underwriters, materially impairs the investment quality of the Bonds.

The State Treasurer may terminate this Purchase Contract if the Underwriters shall fail, by the Closing, to perform their obligations contained herein, upon written notice of such termination to the Underwriters.

Any notice of termination pursuant to this Section 6 shall be given in the manner provided in Section 7 hereof.

7. NOTICES.

Any notice or other communication to be given under this Purchase Contract may be given by delivering the same in writing:

- (a) to the State Treasurer, at the address of the State Treasurer set forth above;
- (b) to the Underwriters at Citigroup Global Markets, Inc., 444 South Flower Street, 27th Floor, Los Angeles, California 90071, Attn: Kimberly Quinones; and
- (c) to the California Department of Transportation, at 1120 N Street, Sacramento, California 95814, Attention: Robert L. Garcia, Chief Financial Officer, with a copy to the Department Legal Division at the same address.

8. MISCELLANEOUS.

Notwithstanding anything to the contrary contained herein or any document referred to herein, neither the State Treasurer nor the Commission shall have no liability hereunder or by reason hereof or in connection with any of the transactions contemplated herein, except to the extent payable from amounts recovered from the Department therefor. This Purchase Contract is made solely for the benefit of the State Treasurer, the Commission, the Department and the Underwriters, and no other person shall acquire or have any right hereunder or by virtue hereof except as expressly provided herein. All representations, warranties and agreements of the State Treasurer, the Commission and the Department in this Purchase Contract shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriters and shall survive the delivery of and payment for the Bonds. This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original

and all of which shall constitute one and the same agreement. This Purchase Contract shall be governed by and interpreted under the laws of the State of California.

[Execution pages to Purchase Contract]

If the foregoing is in accordance with your understanding of our agreement, please sign and return to the Underwriters the enclosed duplicate hereof whereupon it will become a binding agreement among the State Treasurer, the Department and the Underwriters.

**CITIGROUP GLOBAL MARKETS INC.
LOOP CAPITAL MARKETS, LLC**

By Citigroup Global Markets, Inc.,
as Representative, on behalf of the Underwriters
including itself

By: _____
Authorized Representative

Accepted and Agreed to:

TREASURER OF THE STATE OF CALIFORNIA

By: _____
Deputy State Treasurer
For State Treasurer, Philip Angelides

Accepted and Agreed to:

CALIFORNIA DEPARTMENT OF TRANSPORTATION

By: _____
Robert L. Garcia
Chief Financial Officer

Acknowledged:

CALIFORNIA TRANSPORTATION COMMISSION

By: _____
Title: _____

EXHIBIT A

PRINCIPAL AMOUNTS, MATURITY DATES, INTEREST RATES, YIELDS AND PRICES

Maturity (August 1)	Principal Amount	Interest Rate	Yield	Price
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EXHIBIT B-1

\$ _____

**STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS
SERIES 2004A**

**FORM OF THE CERTIFICATE OF THE
TREASURER OF THE STATE OF CALIFORNIA
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby states and certifies:

1. That he is the duly appointed, qualified and acting Deputy of the Treasurer of the State of California (the "State Treasurer"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. That there has been delivered to the Underwriters of the captioned Bonds, a Preliminary Official Statement, dated _____, 2004 (including the cover page and all appendices thereto, the "Preliminary Official Statement"), which the State Treasurer deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12; and

3. The State Treasurer hereby approves the use and distribution by the Underwriters of the Preliminary Official Statement.

Dated: _____, 2004

TREASURER OF THE STATE OF CALIFORNIA

By:
Deputy Treasurer

EXHIBIT B-2

\$ _____

**STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS
SERIES 2004A**

**FORM OF THE CERTIFICATE OF THE
CALIFORNIA DEPARTMENT OF TRANSPORTATION
REGARDING PRELIMINARY OFFICIAL STATEMENT**

The undersigned hereby states and certifies:

1. That he is the duly appointed, qualified and acting Chief Financial Officer of the California Department of Transportation ("the Department"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same; and

2. That there has been delivered to the Underwriters of the captioned Bonds, a Preliminary Official Statement, dated _____, 2004 (including the cover page and all appendices thereto, the "Preliminary Official Statement"), which the Department deems final as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12; and

3. The Department hereby approves the use and distribution by the Underwriters of the Preliminary Official Statement.

Dated: _____, 2004

California Department of Transportation

By:
Chief Financial Officer

EXHIBIT C-1

SUPPLEMENTAL OPINION OF ATTORNEY GENERAL

[Letterhead of the Attorney General]

[Closing Date]

Treasurer of the State of California
Sacramento, California

Citigroup Global Markets Inc.,
as Representative of the Underwriters
Los Angeles, California

State of California
(California Department of Transportation)
Federal Highway Grant Anticipation Bonds
Series 2004A

Supplemental Opinion

Ladies and Gentlemen:

This letter is addressed to you pursuant to Section 4(d)(3) of the Purchase Contract, dated _____, 2004 (the "Purchase Contract"), between the Treasurer of the State of California (the "State Treasurer") and Citigroup Global Markets Inc., as representative (the "Representative") of the underwriters (the "Underwriters") named in the Purchase Contract, providing for the purchase of \$_____ principal amount of State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds Series 2004A (the "Bonds").

The Bonds are being issued under Chapter 4 (commencing with Section 14550) of Part 5.3 of Division 3 of Title 20 of the California Government Code (the "Act") and a Master Indenture, dated as of February 1, 2004 (the "Master Indenture") and a First Supplemental Indenture, dated as of February 1, 2004 (the "First Supplemental Indenture," and together with the Master Indenture, the "Indenture"), each among the State Treasurer, the California Transportation Commission (the "Commission"), the California Department of Transportation (the "Department") and the Treasurer of the State of California, as trustee. Unless otherwise defined herein, or the context otherwise requires, capitalized terms used herein shall have the respective meanings ascribed to them in the Indenture, or if not defined in the Indenture, in the Purchase Contract.

I have also examined originals or copies, certified or otherwise identified to my satisfaction, of such other documents, opinions ***[TO BE IDENTIFIED]***, public records and other instruments, and conducted such other investigations of fact and law to the extent that I have deemed necessary to render the opinions set forth herein. I have assumed the genuineness of all documents and signatures presented to me (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the State. I have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to above.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings, and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. I have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to my attention after the date hereof, and I disclaim any obligation to update this opinion.

The opinions expressed herein as to rights and obligations under the Indenture and the Purchase Contract, and their enforceability, may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities in the State of California. I express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

Based upon and subject to the foregoing, and in reliance thereon, as of the date hereof, I am of the following opinions or conclusions:

1. The State Treasurer has all requisite legal right, power and authority to carry out and effectuate the transactions contemplated by the Act, the Purchase Contract, the Indenture and the Continuing Disclosure Agreement.

2. The Commission has all requisite legal right, power and authority to carry out and effectuate the transactions contemplated by the Act and the Indenture.

3. Each of the Indenture, the Purchase Contract and the Continuing Disclosure Agreement has been duly authorized, executed and delivered by the State Treasurer and (assuming due authorization, execution and delivery by and validity against the Underwriters of the Purchase Contract and the Department of the Continuing Disclosure Agreement) is a valid and binding agreement of the State Treasurer enforceable in accordance with its terms.

4. The Indenture has been duly executed by the Commission and constitutes the legal, valid and binding obligation of the Commission, enforceable in accordance with its terms.

5. The Act, the Indenture and the Bonds conform as to form and tenor with the terms and provisions thereof summarized in the Official Statement.

6. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

7. The information contained in the Official Statement under the captions "THE SERIES 2004A BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004A BONDS," and "CERTAIN LEGAL MATTERS" insofar as they purport to summarize the Act, State law, the Bonds, the Continuing Disclosure Agreement, and the Indenture are accurate in all material respects.

8. The execution, delivery and distribution of the Official Statement have been duly authorized by the State Treasurer, and the State Treasurer has approved the Official Statement.

9. All proceeds required by the Act and under other laws or regulations pertaining to State Treasurer and the Commission to be taken by any of them in connection with the authorization of and compliance with the Indenture, Purchase Contract and Continuing Disclosure Agreement and the transactions contemplated by and related thereto, and all approvals, authorizations, consents or other orders of or filings or registrations with any public boards, bodies, or officials, if any, as may be legally required to be obtained by State Treasurer and the Commission with respect to all or any of such matters and compliance with such documents, have been taken or obtained and are in full and continuing force and effect, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities laws or state blue sky or securities laws.

10. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification under the Trust Indenture Act of 1939, as amended.

We are furnishing this letter to you pursuant to Section 4(d)(3) of the Purchase Contract. This letter is solely for your benefit as the issuer and Underwriters, respectively, of the Bonds. We have no attorney-client relationship with the Underwriters or the Representative. Our engagement with respect to this matter has terminated as of the date hereof and we have no obligation to update this letter. This letter is not to be used, circulated, quoted or otherwise referred to or relied upon for any purpose or by any other person.

Sincerely,

GINA M. GREER
Deputy Attorney General

For BILL LOCKYER
Attorney General

EXHIBIT C-2

SUPPLEMENTAL OPINION OF BOND COUNSEL

[Closing Date]

Citigroup Global Markets Inc.,
as Representative of the Underwriters
Los Angeles, California

Treasurer of the State of California,
Sacramento, California

California Transportation Commission,
Sacramento, California

State of California
(California Department of Transportation)
Federal Highway Grant Anticipation Bonds
Series 2004A

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the State of California (the "State") of \$_____ aggregate principal amount of bonds, designated State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds Series 2004A (the "Bonds"). The Bonds are issued pursuant to the provisions of Chapter 4, Part 5.3, Division 3 of Title 2 of the Government Code of the State of California (the "Act") and a Master Indenture of Trust dated as of February 1, 2004 (the "Master Indenture") among the California Transportation Commission (the "Commission"), the California Department of Transportation (the "Department") and the Treasurer of the State of California (the "Treasurer"), as supplemented by a First Supplemental Indenture of Trust dated as of February 1, 2004 among the Commission, the Department and the Treasurer (the "First Supplemental Indenture" and together with the Master Indenture, the "Indenture").

Capitalized terms not defined herein shall have the meaning given in the Purchase Contract, dated as of February ____, 2004 (the "Purchase Contract"), among the Treasurer, the Department and Citigroup Global Markets Inc., for itself and as representative of the other underwriters named in the Purchase Contract, as underwriter (collectively, the "Underwriter"). The Bonds are as described in the Official Statement dated February ____, 2004 (the "Official Statement") as amended and supplemented.

In rendering the opinions set forth below, we have examined executed originals or copies certified or otherwise identified to our satisfaction of the above-referenced documents, and such other documents, resolutions, records and other instruments as we have deemed necessary or appropriate as a basis for the opinions set forth below.

As to any facts material to this opinion which we did not independently establish or verify, we have relied upon statements and representations of officers and other representatives of the Treasurer, the Commission, the Department and others (including those set forth in the Tax and Nonarbitrage Certificate of the Treasurer delivered on the date hereof). We have assumed the genuineness of all signatures by or on behalf of the parties to all documents referenced in this opinion, the legal capacity of natural persons to deliver the certificates or documents referred to herein, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified, conformed or photostatic copies, and the proper execution, delivery and/or filing of the documents referred to above.

Our opinion herein is limited to matters governed by the federal laws of the United States and the laws of the State of California, and we assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

Based on and subject to the foregoing, we are of the opinion that, as of the date hereof:

1. The State Treasurer, the Commission and the Department each has full legal right, power and authority to carry out and effectuate the transactions contemplated by the Act and the Indenture.

2. The State Treasurer and the Department each has full legal right, power and authority to carry out and effectuate the transactions contemplated by the Purchase Contract and the Continuing Disclosure Agreement.

3. The Indenture has been duly authorized, executed and delivered by the parties thereto, and constitutes a legal, valid and binding agreement enforceable in accordance with its terms, subject to any applicable bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies.

4. The Purchase Contract has been duly authorized, executed and delivered by the Treasurer and the Department, and, assuming due authorization, execution and delivery by the Underwriter, constitutes a legal, valid and binding agreement of the Treasurer and Department enforceable against them in accordance with its terms, subject to any applicable bankruptcy, reorganization, moratorium or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and limitations on remedies against public agencies, and except as the enforceability of the indemnification or waiver provisions contained in the Purchase Contract may be limited by applicable securities laws or public policy.

5. The Continuing Disclosure Agreement has been duly authorized, executed and delivered by the Department and the State Treasurer, and constitutes the legal, valid and binding obligation of the Department and the State Treasurer, and is enforceable in accordance with its terms.

6. The Act, the Indenture and the Bonds conform as to form and tenor with the terms and provisions thereof summarized in the Official Statement.

7. The Official Statement has been duly authorized, executed and delivered by the Treasurer and Department.

8. The Bonds are exempt from registration under the Securities Act of 1933, as amended (the "1933 Act"), and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended; and

9. The statements and information contained in the Official Statement on the cover page and under the captions "INTRODUCTION," "THE SERIES 2004A BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2004A BONDS," "TAX MATTERS," and in Appendices A and D, but excluding any statistical or financial information set forth under such headings, as to which we express no opinion, insofar as such statements purport to summarize certain provisions of the Act, the Bonds, the Indenture and our opinion with respect to certain federal and State income tax matters relating to the Bonds, are true and accurate in all material respects and fairly represent the information purported to be set forth or summarized therein.

10. All proceedings required by the Act and under other laws or regulations pertaining to State Treasurer, the Commission and the Department to be taken by any of them in connection with the authorization of and compliance with the Indenture, Purchase Contract and Continuing Disclosure Agreement and the transactions contemplated by and related thereto, and all approvals, authorizations, consents or other orders of or fillings or registrations with such public boards, bodies, or officials, if any, as may be legally required to be obtained by State Treasurer, the Commission or the Department with respect to all or any of such matters and compliance with such documents, have been taken or obtained and are in full and continuing force and effect, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities laws or state blue sky or securities laws.

This opinion is furnished by us solely for your benefit and solely with respect to the purchase of the Bonds by the Underwriter, upon the understanding, as we have advised you, and as you have agreed, that we are not hereby assuming any professional responsibility to any other person whatsoever. Our opinion herein is not to be used, circulated, quoted or otherwise referred to for any other purpose without our express written permission.

Respectfully submitted,

EXHIBIT D

FORM OF OPINION OF ATTORNEY GENERAL, AS COUNSEL TO THE COMMISSION

[Closing Date]

Treasurer of the State of California
Sacramento, California

California Department of Transportation
Sacramento, California

Citigroup Global Markets Inc.,
as Representative of the Underwriters
Los Angeles, California

Re: State of California (California Department of Transportation) Federal Highway Grant
Anticipation Bonds, Series 2004A

Ladies and Gentlemen:

In my capacity as counsel to the California Transportation Commission (the "Commission") and in connection with the above described bonds (the "Bonds") and pursuant to Section 4(d)(5) of the Purchase Contract (as defined below), I have examined: the Act and other laws pertaining to the Commission; originals of that certain Master Indenture of Trust, dated as of February 1, 2004 (the "Master Indenture") and that certain First Supplemental Indenture, dated as of February 1, 2004 (the "First Supplemental Indenture," and, together with the Master Indenture, the "Indenture"), each among the Treasurer of the State of California (the "State Treasurer"), the Commission, the California Department of Transportation ("the Department") and the Treasurer of the State of California, as trustee (the "Trustee"); and that certain Purchase Contract relating to the Bonds, dated _____, 2004, among the State Treasurer and Citigroup Global Markets Inc., as Representative of the Underwriters, and approved by the Department, and acknowledged by the Commission (the "Purchase Contract"); the Commission's Resolutions Nos. _____ adopted _____, 2004 (collectively, the "Commission Resolution"); and such other information and documents as I considered necessary to render this opinion.

Based upon the foregoing, it is my opinion that:

(1) The Commission is a body public and corporate, and a public instrumentality of the State of California duly organized and validly existing pursuant to the laws of the State of California with all requisite legal right, power and authority under the Act and other laws to adopt the Commission Resolution and to enter into and perform its obligations under the Indenture;

(2) The Commission Resolution and other actions of the Commission relating to the execution and delivery of the Indenture and authorization and issuance of the Bonds were duly adopted at a meeting of the governing body of the Commission which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(3) The Indenture has been duly authorized and executed on behalf of the Commission and is the valid and binding obligation of the Commission enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(4) To the best of my knowledge, after reasonable investigation, the execution and delivery of the Indenture and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Commission a breach of or default under any agreement or other instrument to which the Commission is a party or by which it is bound or the Act or any other existing law, regulation, court order or consent decree to which the Commission is subject;

(5) All proceedings required by the Act and under other laws or regulations pertaining to the Commission to be taken by the Commission in connection with the authorization of the Indenture and the transactions contemplated by and related thereto, and all approvals, authorizations, consents or other orders of or filings or registrations with such public boards, bodies, or officials, if any, as may be legally required to be obtained by the Commission with respect to all or any of such matters and compliance with the Indenture, have been taken or obtained and are in full and continuing force and effect, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities law or state blue sky or securities laws;

(6) To the best of my knowledge, after due investigation, there is no action, suit or proceeding, inquiry or investigation before or by any court or public body pending or threatened against or affecting the Commission: (i) challenging or questioning the transactions contemplated by the Indenture, the Bonds, or any other agreement, document or certificate related to such transactions; (ii) challenging or questioning the creation, organization, existence of the Commission; (iii) seeking to enjoin or restrain the issuance, sale and delivery of the Bonds or the receipt of any of the Federal Transportation Funds or the pledge thereof; (iv) in any way questioning or affecting any of the rights, powers, duties or obligations of the Commission with respect to such transactions; (v) in any way questioning or affecting any authority for the issuance of the Bonds or validity or enforceability of the Bonds or the Indenture; or (vi) contesting in any way the completeness or accuracy of the Official Statement, as amended or supplemented; and

(7) To the best of my knowledge, after reasonable investigation, the statements contained in the Preliminary Official Statement and Official Statement under the caption "THE COMMISSION" and under the caption "LITIGATION" (as it relates to the Commission) do not contain any untrue statement of a material fact or omit to state a material fact required to be

stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

I do not render any opinion as to any federal or state securities or tax law. I am furnishing this letter solely for your benefit. This letter is not to be used, circulated, quoted or otherwise referred to for any other purpose.

The opinions expressed herein may be affected by actions taken or events occurring after the date hereof. The undersigned has not undertaken to determine or to inform any person whether any such subsequent actions or events are taken or occur.

Sincerely,

Deputy Attorney General

For BILL LOCKYER
Attorney General

EXHIBIT E

FORM OF OPINION OF THE COUNSEL TO THE DEPARTMENT

[Letterhead of the Counsel to the Department]

[Closing Date]

Treasurer of the State of California
Sacramento, California

California Department of Transportation
Sacramento, California

Citigroup Global Markets Inc.,
as Representative of the Underwriters
Los Angeles, California

Re: State of California (California Department of Transportation) Federal Highway Grant
Anticipation Bonds, Series 2004A

Ladies and Gentlemen:

I am senior counsel to the California Department of Transportation (“the Department”). This opinion is delivered pursuant to Section 3(d)(6) of the Purchase Contract relating to the Bonds, dated _____, 2004, between the Treasurer of the State of California (the “State Treasurer”), and Citigroup Global Markets Inc., as Representative of the Underwriters, and approved by the Department (the “Purchase Contract”). In connection therewith, I have examined the Act and other laws pertaining to the Department; originals of the Master Indenture of Trust, dated as of February 1, 2004 (the “Master Indenture”), and that certain First Supplemental Indenture, dated as of February 1, 2004 (the “First Supplemental Indenture,” and, together with the Master Indenture, the “Indenture”), each among the State Treasurer, the Commission, the Department and the Treasurer of the State of California, as trustee (the “Trustee”); the Purchase Contract; the Continuing Disclosure Agreement, dated as of February 1, 2004, by and between the Department and the State Treasurer; the Project Aid Agreements (as defined in the Purchase Contract); and such other documents, legal opinions, instruments and records as I have considered necessary or appropriate for the purpose of this opinion.

Capitalized terms used herein and not otherwise defined shall have the meaning set forth such terms in the Purchase Contract.

1. The Department is a department of the State of California duly organized and validly existing under the laws of the State of California, has the requisite legal right, power and authority to execute and deliver the Indenture, the Continuing Disclosure Agreement, the Purchase Contract and the Project Aid Agreements (collectively, the “Department Documents”) and the Official Statement, to approve the Preliminary Official Statement and the Official Statement and to carry out and consummate all transactions contemplated by those Department Documents and the Official Statement.

2. The Department Documents have been duly authorized, executed and delivered and, assuming due authorization, execution and delivery of Department Documents by the other parties thereto, constitute legal, valid and binding obligations of the Department enforceable against the Department in accordance with their respective terms, subject to the laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles, if equitable remedies are sought.

3. The Department has duly authorized the execution, delivery and approval of the Official Statement, the approval of the Preliminary Official Statement, and the distribution of the Preliminary Official Statement and Official Statement.

4. Federal Transportation Funds (as defined in the Master Indenture) have been appropriated in an amount sufficient to pay all principal of and interest on the Bonds, when due, and there are no further actions required by the State Legislature or any other governmental board, body or official which are legally required so long as the Bonds are Outstanding (a) for the Department to comply with the provisions of the Indenture requiring the Department to deposit Federal Transportation Funds into the Transportation Financing Subaccount and (b) for the State Treasurer to comply with the provisions of the Indenture requiring the State Treasurer to transfer from the State Financing Subaccount monies to the Trustee to pay all principal of and interest on the Bonds, when due.

5. All proceedings required by the Act and under other laws or regulations pertaining to the Department to be taken by the Department in connection with the authorization of the Department Documents and the transactions contemplated by and related thereto and compliance therewith, and all approvals, authorizations, consents or other orders of or filings or registrations with such public boards, or officials, if any, as may be legally required to be obtained by the Department with respect to all or any of such matters, have been taken or obtained and are in full and continuing force and effect, except that no opinion is expressed as to any approvals, obligations or proceedings which may be required under any federal securities laws or state blue sky or securities laws.

6. The approval and distribution of the Preliminary Official Statement, the execution and delivery of the Department Documents and the review, approval and execution of the Official Statement by the Department and the consummation of the transactions therein and in the Department Documents contemplated will not conflict with or constitute a breach of or default (with due notice or the passage of time or both) under (i) the statutes creating the Department or any amendments thereto, (ii) the regulations or orders affecting the Department, (iii) any Project Aid Agreement and any other bond, debenture, note or other evidence of indebtedness, or any material contract, agreement or lease to which the Department is a party or by which it or its properties are otherwise subject or bound or (iv) the Act, Federal Aid Authorization and any other applicable law or administrative regulation or any applicable court or administrative decree or order.

7. Except as may be disclosed in the Official Statement, (a) there is no action, suit, proceeding, inquiry or investigation before or by any court of federal, state, municipal or other governmental authority pending or, to the best of my knowledge after due investigation, threatened against or affecting (i) the Federal Transportation Funds or the Department

Documents, or (ii) the Department or other assets, properties or operations of the Department which, if determined adversely to the Department or its interests, would result in any material change in the assets or financial condition of the Department, and (b) the Department is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental agency which default might have consequences that would materially and adversely affect the financial condition of the Department.

8. Based upon my review of the Preliminary Official Statement and the Official Statement, I have no reason to believe that the Preliminary Official Statement and the Official Statement, as of its date or as of the date hereof, contained or contains any untrue statement of a material fact or omitted or omits to state a material fact required to be stated therein or necessary to make the statements therein (other than the statements under the caption "THE COMMISSION," and APPENDIX C "BOOK-ENTRY ONLY SYSTEM," as to which no view is expressed), in light of the circumstances under which they were made, not misleading.

Very truly yours,

EXHIBIT F

\$ _____

**STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS
SERIES 2004A**

NO-LITIGATION CERTIFICATE OF THE ATTORNEY GENERAL

The undersigned, Attorney General of the State of California, hereby certifies in connection with the issuance of the captioned Bonds as follows.

Capitalized terms used in this Certificate and not otherwise defined shall have the meanings given to such terms as set forth in that certain Purchase Contract, dated _____, 2004 (the "Purchase Contract"), between the Treasurer of the State of California (the "State Treasurer") and Citigroup Global Markets Inc., as representative of the underwriters named in the Purchase Contract.

Except as disclosed under the caption "LITIGATION" in the Official Statement, dated _____, 2004 (the "Official Statement") relating to the Bonds, to the best of the knowledge of the undersigned, no litigation is pending (with service of process having been accomplished) or threatened (a) to restrain or enjoin the sale or delivery of the Bonds or the undertaking of any activities with respect to the Bonds or the Indenture, the Project Aid Agreements, Continuing Disclosure Agreement or the Purchase Contract (collectively, the "Financing Documents"), or (b) in any way challenging the validity of the Bonds, the Financing Documents or any law, document, license, permit or approval necessary to the execution and delivery of and compliance with the Bonds or the Financing Documents or any proceeding of the State Treasurer, Commission or the Department taken with respect to the foregoing.

Dated: _____, 2004

BILL LOCKYER
Attorney General

By:
Deputy Attorney General

EXHIBIT G

\$ _____

**STATE OF CALIFORNIA
(CALIFORNIA DEPARTMENT OF TRANSPORTATION)
FEDERAL HIGHWAY GRANT ANTICIPATION BONDS
SERIES 2004A**

CERTIFICATE OF THE COMMISSION

The undersigned, Director of the California Transportation Commission (the "Commission"), hereby certifies in connection with the issuance of the captioned Bonds as follows.

Capitalized terms used in this Certificate and not otherwise defined shall have the meanings given to such terms as set forth in that certain Purchase Contract, dated _____, 2004 (the "Purchase Contract"), between the Treasurer of the State of California (the "State Treasurer") and Citigroup Global Markets Inc., as representative of the underwriters named in the Purchase Contract, as approved by the California Department of Transportation (the "Department") and acknowledged by the Commission.

(a) The Commission is a public instrumentality of the State of California, duly organized and existing under the Constitution and laws of the State of California, with full power and authority under the Act and other laws to adopt the Commission Resolution, to enter into the Indenture and to perform its obligations under the Indenture, and when executed and delivered by the other parties thereto, the Indenture constitutes a valid and binding obligation of the Commission enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if equitable remedies are sought.

(b) By the Commission Resolution, the Commission has authorized and approved the execution and delivery of, and the performance by the Commission of the obligations on its part contained in, the Indenture and the consummation by the Commission of all other transactions contemplated by the Official Statement and the Indenture.

(c) The representations and warranties made by the Commission in the Indenture are true and correct in all material respects on the date hereof.

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or known to the Commission to be threatened against or affecting the Commission (i) challenging or questioning the transactions contemplated by the Indenture, the Bonds, or any other agreement, document or certificate related to such transactions; (ii) challenging or questioning the creation, organization or existence of the Commission; (iii) seeking to enjoin or restrain the issuance, sale and delivery of the Bonds or the receipt of any of the Federal Transportation Funds or the pledge thereof; (iv) in any way questioning or affecting any of the rights, powers, duties or obligations of the Commission with respect to such transactions; (v) in any way questioning or affecting any

authority for the issuance of the Bonds or validity or enforceability of the Bonds or the Indenture or contesting in any way the completeness or accuracy of the Official Statement, as amended or supplemented; or (iv) which, if determined adversely, might materially adversely affect the consummation of the transactions contemplated by the Official Statement or the Indenture.

(e) At the Closing Date, the statements and information contained in the Official Statement under the caption "THE COMMISSION" and under the caption "LITIGATION" (as it relates to the Commission) are and will be true and correct in all material respects, and the information contained in the Official Statement relating to the Commission does not contain an untrue statement of a material fact or omit any statement or information concerning the Commission or its functions, duties and responsibilities which is necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading.

(f) The execution and delivery by the Commission of the Indenture, and compliance with the provisions on the Commission's part contained therein, will not conflict with or constitute a breach of or default under the Act or any other law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument to which the Commission is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Commission under the terms of any such law, administrative regulation, judgment, decree, loan agreement, pledge agreement, indenture, bond, note, resolution, agreement or other instrument, except as expressly provided by the Indenture.

(g) The Commission has fulfilled or performed each of its obligations contained in the Act, the Commission Resolution and the Indenture required to be fulfilled or performed by it as of the Closing Date.

IN WITNESS THEREOF, the undersigned has executed this Certificate.

Dated: _____, 2004

CALIFORNIA TRANSPORTATION COMMISSION

By: _____
Its: Director

CALIFORNIA TRANSPORTATION COMMISSION

Resolution Regarding State of California (California Department of Transportation) Federal Grant Anticipation Bonds Series 2004A

FG-03-__

- 1.1 WHEREAS, under the National Highway System Designation Act of 1995 and the Transportation Equity Act for the 21st Century, the United States Congress authorized states to issue GARVEE bonds which are tax-exempt grant anticipation debt mechanisms backed by annual federal appropriations for federal aid transportation projects, and
- 1.2 WHEREAS, Sections 14550 and 14552-14555 were added to the Government Code of the State of California by Chapter 862 of the Statutes of 1999 (SB 928) (the “Act”) to provide for the issuance of the Bonds, and
- 1.3 WHEREAS, in accordance with the Act, the Commission has adopted Grant Anticipation Revenue Vehicle (GARVEE) Guidelines (the “Guidelines”) in order to establish guidelines for eligibility for funding allocations under the Act, and
- 1.4 WHEREAS, by Resolution GF-03-__ (the “Allocation Resolution”) the Commission has allocated funds for the acquisition and construction of certain eligible projects as specifically identified by the Allocation Resolution (the “Series A Projects”) and to provide for funding of the Series A Projects through the issuance of a series of Bonds under the Act and in accordance with the Guidelines, and
- 1.5 WHEREAS, in accordance with the Act and pursuant to the Allocation Resolution, the Commission has requested that the Treasurer of the State of California (the “Treasurer”) issue bonds to provide the funds allocated for the Series A Projects, and
- 1.6 WHEREAS, pursuant to the Act, the Treasurer will issue bonds designated “State of California (California Department of Transportation) Federal Highway Grant Anticipation Bonds, Series 2004A (the “Series 2004A Bonds”), and
- 1.7 WHEREAS, payment of the principal of and interest on the Series 2004A Bonds will be secured by the trust estate as described in a Master Indenture of Trust dated as of February 1, 2004 (the “Master Indenture”) among the Commission, the Department of Transportation (the “Department”) and the State Treasurer (the “Treasurer”), as issuer and as trustee and a First Supplemental Indenture of Trust dated as of February 1, 2004 (the “First Supplemental Indenture” and together with the Master Indenture, the “Indenture”), and

- 1.8 WHEREAS, there have been prepared and presented at this meeting the following documents required to be executed and delivered by or on behalf of the Commission for the issuance of the Bonds, and such documents are now in substantially final form, appropriate to be executed and delivered for the purposes intended:
- (a) Form of Master Indenture;
 - (b) Form of First Supplemental Indenture; and
 - (c) Form of the Bond Purchase Agreement to be entered into by the and among the Treasurer, the Department and the underwriters named therein, and to be acknowledged by the Commission.

NOW THEREFORE BE IT RESOLVED AS FOLLOWS:

- 2.1 The recitals set forth above are true and correct, and the Commission so finds.
- 2.2 Pursuant to the Act and the Indenture and for the purposes in the recitals set forth above, the Treasurer of the State of California is hereby requested to issue the Series 2004A Bonds in an amount not to exceed \$750,000,000. The Series 2004A Bonds shall be in the forms set forth in and otherwise in accordance with the Indenture. The Series 2004A Bonds shall be issued and secured in accordance with the terms of the Indenture. Payment of the principal of, redemption premium, if any, and interest on, the Series 2004A Bonds shall be made solely from the Trust Estate (as defined in the Indenture), and shall not be deemed to constitute a debt or liability of the Commission or any member of the Commission.
- 2.3 The form, terms and provisions of the Master Indenture are hereby approved in substantially the form now before the Commission with such changes therein as shall be approved by the Executive Director or Chief Deputy Director of the Commission, or any written designee of either of the foregoing (each, a "Designated Officer") executing the same, including such changes as may be deemed necessary to cause the Master Indenture to carry out the intent of this Resolution and as are approved by Bond Counsel in consultation with the Attorney General and counsel to the Department; the execution thereof shall constitute conclusive evidence of the Commission's approval of any and all such changes or revisions from the form now before this Commission.
- 2.4 The form, terms and provisions of the First Supplemental Indenture are hereby approved in substantially the form now before the Commission with such changes therein as shall be approved by a Designated Officer executing the same, including such changes as may be deemed necessary to cause the First Supplemental Indenture to carry out the intent of this Resolution and as are approved by Bond Counsel in consultation with the Attorney General and counsel to the Department; the execution thereof shall constitute conclusive evidence of the Commission's approval of any and all such changes or revisions from the form now before this Commission.

- 2.5 A Designated Officer is hereby authorized to execute this Commission's acknowledgment of the Bond Purchase Agreement upon its execution and delivery in final form by the parties thereto following final pricing of the Series 2004A Bonds.
- 2.6 All prior actions taken by the officers and agents of the Commission with respect to project programming and allocation in connection with the Series 2004A Projects and the issuance of the Series 2004A Bonds are hereby approved, ratified and confirmed, and any Designated Officer, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Commission, to do any and all things and take any and all actions and execute and deliver all certificates and other documents which they, or any of them, may deem necessary or advisable in order to assist in consummating the lawful issuance and delivery of the Series 2004A Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and the resolutions heretofore adopted by the Commission and otherwise in order to carry out the purposes hereof.
- 2.7 The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.
- 2.8 This Resolution shall be effective upon adoption.